159 423

Office Supreme Court, U. S.
FILED.
APR 8 1895
JAMES H. McKENNEY,
CLERK.

159-423 IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1894.

APPEAL FROM SEVENTH CIRCUIT.

THE THORN WIRE HEDGE COMPANY,
Appellant.
vs.
THE WASHBURN AND MOEN MANUFACTURING COMPANY,
Appellee.

Bill.
General No. 14894.
Term No. 322.

THE WASHBURN AND MOEN MANUFACTURING COMPANY,
Appellant.
vs.
THE THORN WIRE HEDGE COMPANY,
Appellee.

Cross Bill.
General No. 14895.
Term No. 323.

BRIEF AND ARGUMENT OF APPELLANT.

GEO. C. FRY,
Counsel for Appellant.

WHEATON, ILL.
E. W. DRESSER, LAW PRINTER.
1895.

ORDER OF ARGUMENT.

STATEMENT OF CASE.

	Page of Argument.
(1) Pleadings	2
(2) Evidence	11
Assignment of Errors	24 25
Brief of Points	25 i to 25 xviii

ARGUMENT.

First, Second and Third Errors	26
(*a*) Construction of contract	30
(*b*) Construction of supplemental contract of August 7, 1879	44
(*c*) Matters occurring on and prior to July 27, 1881, in connection with release of that date	67 *et seq.*
Sixth Error (May, 1883, royalty)	166
Fourth, Fifth and Seventh Errors	169
(1) Purchase of Haish patent properties	169
Appellee's Cross-Bill	214
(2) Settlements with licensees	224
Tenth Error (Brinkerhoff barb wire)	263
Fifth, Eighth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth and Sixteenth Errors	290

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1894.

THE THORN WIRE HEDGE COMPANY
Appellant.

vs.

THE WASHBURN AND MOEN MANUFACTURING COMPANY.
Appellee.

Bill
General No. 14[illegible]
Term No. 322.

THE WASHBURN AND MOEN MANUFACTURING COMPANY.
Appellant.

vs.

THE THORN WIRE HEDGE COMPANY,
Appellee.

Cross Bill
General No. 14[illegible]
Term No. 323.

I

STATEMENT OF THE CASE.

May it please the Court:

THE THORN WIRE HEDGE CO., *appellant*, filed its Bill of Com[illegible] plaint April 22nd, 1887, in the *Superior Court of Cook County, Illinois*, against the WASHBURN AND MOEN MANUFACTURING CO., *appellee*. The cause was removed to the United States Circuit Cou[illegible] for the Northern District of Illinois, by appellee, on July 2nd, 188[illegible]

The bill was dismissed below, for want of equity, November [illegible] 1889. Appeal was prayed, allowed and bond filed June 26, 1890 ([illegible] 74.)*

---

*The references are to the printed pages of the transcript of the record.

(a) — Pleadings.

The bill avers that appellant is a corporation organized under the laws of the State of Illinois; and appellee a corporation organized under the laws of the State of Massachusetts, engaged in the business of manufacturing and selling barb wire, and like articles, and machinery for making the same, and dealing in patents for improvements relating thereto. That appellant was the owner, by mesne assignments, of Letters Patent issued to Michael Kelly, February 11, 1868, for an improvement in "Wire Fences," No. 74,379; and also, November 17, 1868, for an improvement in "Metallic Fences," No. 84,052. That on July 3, 1876 appellant and appellee entered into a written contract (R. 3), reciting, among other things, that

"(Appellee) desires to obtain the entire interest in said several reissued Letters Patent and the inventions described and shown therein;

"Now therefore, it is covenanted and agreed, by and between the parties hereto, as follows, to wit:

"1st. (Appellant) hereby agrees and actually does by assignments duly executed, of even date herewith, sell, assign, transfer and set over unto (appellee), their successors, assigns * * * the entire and exclusive interest in the several letters patent aforesaid, for the entire territory covered by the grant thereof."

2d. (Appellee) "stipulates and agrees by and with (appellant), to pay or cause to be paid unto them, their assigns or legal representatives, *three-eighths* (⅜) *of one cent per pound* upon all barbed fence-wire which (appellee) shall manufacture and sell, or cause to be manufactured and sold, and receive pay therefor, under said several letters patent, *or any one of them;* and also upon all barbed fence-wire which may be manufactured and sold by others under any license which may be granted by (appellee), under said patents, *or any one of them*, for which pay shall have been received by the parties thus licensed, for and during the term for which said several letters patent are granted,"

3d. (Appellee) "agrees to keep separate and accurate accounts of the entire product manufactured and sold under said patents, and of the part of said product *for which they shall actually receive pay in any form;* and they further agree to render a statement in writing to (appellant) of the entire product sold under this agreement each month on or before the fifteenth day of the next succeeding month; and also a statement of the actual amount *for which payment shall be received by them*, under this agreement, during each month, on or before the last business day of the next succeeding month, said latter statement to be accompanied by a remittance of such portion of the amount re-

ceived in the preceding month as shall be due appellant under the provisions of this agreement."

4th. (Appellee) "*furthermore agrees to enter upon the manufacture of barbed fence-wire, under the patents aforesaid*, and to use reasonable and diligent efforts to *supply the demand for this article throughout the country*, and also to use reasonable and proper diligence in prosecuting infringers of the several letters patent as aforesaid, *or any of them, to the end that said patents may be fully enforced and sustained.*"

5th. "The consideration received by (appellant) for the patents aforesaid, is to be the payment to them of the percentage upon sales as hereinbefore specified, and that if at any time (appellee) *shall, for any reason whatever, discontinue permanently* the manufacture of barbed fence-wire under the letters patent aforesaid, then the said several letters patent shall be re-transferred to (appellant) within ninety days from the receipt of a written demand from (appellant) for such re-transfer. * * * *In case of an assignment of this agreement by* (appellant), they shall immediately notify (appellee) of such assignment, *and of the party to whom statements and payments shall be hereafter made*, together with the address and place of business of said party."

6th. (Appellee) "shall pay or cause to be paid unto (appellant) the sum of one (1) cent per pound upon all loose barbs for barbed fence-wire which they shall sell, cause to be sold, or license others to sell, separate from the wire, for and during the term of this agreement, statements as to sales of loose barbs, and payments of royalties therefor to be made in the same manner as hereinbefore provided for barbed fence-wire."

Appellant covenants not to make or sell loose barbs during the term of the contract.

7th. (Appellant) "to sell, transfer and assign all and every interest which they have in and to *all claims for damages and profits for past infringements* of the said several Re-issue Letters Patent and each of them, and they further stipulate and agree that (appellee) may institute and prosecute in the name of (appellant) all such suit or suits as they may wish or desire to institute against past infringers of said several patents or either of them."

8th. (Appellee) "agrees that three-eights (⅜) of one cent per pound shall be paid on all the barbed fence-wire which was made by Glidden and Ellwood and I. L. Ellwood and Co., from the dates of the several re-issue patents aforesaid up to the date hereof, *and also the same amount per pound upon all wire upon which they shall recover from past infringers* of said re-issue patents, *or either of them, under any suit or suits which they may hereafter institute* and prosecute to final judgment, *or which may be settled without judgment by payment of royalty by the defendants.*" * * *

"If the title of said letters patent shall fail, *and thereby the consideration of this agreement fail,* then and thereafter the royalties stipulated to be paid by appellee shall cease, and no further payments of royalties under this agreement shall be demanded or paid, but it is understood and agreed that no royalties already paid shall be reclaimed."

That said contract remained in force until December 2, 1878, when the parties entered into a contract which was treated as supplementary to the contract of date July 3, 1876, and which supplementary contract provides: (R. 7.)

"That (appellee) does hereby license (appellant) to use all of the patents owned or controlled wholly or in part by (appellee), except the patents issued to H. W. Putnam, in the manufacture and sale of the barbed wire now made by (appellant) and commonly known as the "Kelly Barbed Wire," and which it was licensed to make by (appellee) July 3, 1876, with the full privilege of selling the same throughout the United States and its territories, with the full consent and approval of I. L. Ellwood, who is a part owner of some of the said letters patent, and (appellee) hereby covenants and agrees for itself and I. L. Ellwood, to relinquish any and all claims which they may have against (appellant), hereto, on account of its having used any mechanism, or made any barbed wire which may have infringed the said letters patent of (appellee), and I. L. Ellwood, or the said patents issued to H. W. Putnam, but which patents (appellee) does not claim (appellant) has infringed, and hereby agrees not to make any claim against it for any infringement of said patents, on account of making and selling the said 'Kelly Barbed Wire."

(Appellee) "agrees that it will also hereafter license (appellant), without further consideration, to use any patented devices which it may hereafter acquire relating to barbed wire and machines for making the same, and have the right to grant free licenses under, without incurring additional liabilities on account of granting such licenses, in the manufacture of the said Kelly barbed wire.

"And (appellant) hereby covenants and agrees that *in consideration of the above grant* of said rights and privileges, it will *and does* reduce the royalties stipulated to be paid in the articles of agreement hereinabove referred to, one-eighth of one cent per pound, thus reducing the royalties agreed to be paid in said agreement *to one-fourth of a cent per pound.*"

"(Appellant) also releases all right and claim it may have on (appellee) and the parties hereinafter named on account of the infringement of any of the Kelly patents, so-called, which it formerly owned by the Ohio Steel Barb Fence Company, Jacob Haish, The Joliet Wire Fence Company and H. B. Scutt, and James Ayres and Alex-

ander C. Decker, and their customers on account of selling the respective barbed wires; provided, however, (appellee) makes a settlement with them or either of them whereby it condones or waives the past royalties or damages in the settlement of the suits which or it and I. L. Ellwood, now have pending against them, or either them, then and in that case (appellant) releases as aforesaid as the party so settled with.

"(Appellee) hereby covenants and agrees that it will make monthly reports of the amount of wire reported as sold by each of its licensees, said report to be on or before the 15th of each and every month, and to embrace the report of the sales of the licensees, made during the previous month, or any month not previously reported, and that it will pay over to (appellant) or its legal representatives the money that it collects of said licensees, that is to be paid to (appellant) hereto quarterly; that is to say, on or before the last day of each January, April, July and October, it will pay (appellant) such proportion of the money that it has received from its licensees during the previous quarter as royalties, as one-fourth of a cent per pound in the entire amount per pound which said licensees agree to pay as royalty: and (appellant) hereby agrees to waive and does hereby relinquish any and all claim on (appellee) for royalties on barbed wire made by its licensees which it may so fail to collect *after using due diligence and lawful means to collect the same*, but in that case (appellee) shall make report to (appellant), of all such royalties as it shall fail to collect and from whom due and the cause of such failure to collect, and (appellee) agrees to make each of its licensees agree to pay it, for (appellant) one-quarter of a cent a pound on all the barbed wire it makes and sells during the term of the Kelly patent and *to use its best endeavors to collect the same;* and (appellee) further agrees that on the last business day of each month it will execute and mail to (appellant) its note due in four months from the date, without interest, for royalties on all sales of itself and I. L. Ellwood and Company, or others for them, as reported on the 15th of the month according to the original agreement, minus royalties on such amounts of actual losses as they may have had to place in the suspense account during the previous month, and (appellee) hereby agrees by and with appellant, *one of its licensees*, that it will hereafter give it as early notice of any change or contemplated change in the selling price of barb fence wire, or in the terms of payment and delivery, as such notice is given to its other licensees. And the said agreement of July 3, 1876, is hereby modified as above stated."

"Of even date herewith I hereby ratify, approve of and consent to the terms and conditions of the within contract *and license*.

Isaac L. Ellwood."

That said contract as so supplemented and modified remained in force until August 7, 1879, when the parties made another contract "supplemental to former agreements made and entered into by and

between the same parties, bearing date the 3rd day of July, A. D. 1876, and the 2d day of December, A. D. 1878, and a certain license, dated the 3d day of July, A. D. 1876;"

"1. That *for the purpose of increasing the manufacture and sale of the barbed fence wire* mentioned in said agreements and *license*, AND INDUCING OTHER PARTIES TO PAY ROYALTIES THEREON, it is *mutually agreed* by the parties hereto that (appellant) *will reduce* the amount to be paid to it per pound by (appellee) on all barbed fence wire hereafter manufactured, or caused to be manufactured, and sold by it, as provided by the said contracts of July 3rd, 1876, and December 2nd, 1878, to fifteen cents per hnndred pounds; and it is understood and agreed that all the provisions of the agreements hereinbefore referred to relating to the price per pound in said agreements agreed to be paid by (appellee) to (appellant) shall apply to the price per pound to be paid as reduced by this supplemental agreement, and (appellee) *agrees to reduce* the royalty or amount required to be paid to it *on account of its ownership of any patents used in the manufacture of said wire by it or its licensees, or persons manufacturing and selling barbed fence wire under its authority, or who shall hereafter be so licensed by it*, TO AT LEAST SEVENTY-FIVE CENTS PER HUNDRED POUNDS of said barbed fence wire so manufactured and sold." (R. 10.)

That said contract remained in force until June 12th, 1883, when there was a further modification of the contract of July 3rd, 1876. (R. 11), reciting: that "said agreement has been modified from time to time by the mutual agreement of (appellant and appellee); and, whereas, by said original agreement and subsequent amendments thereto, *it is left contingent or at the option of (appellee) to discontinue the payments of royalties*" thereunder.

That by the first *six* sections of said amendment, the royalty upon the manufacture of appellee, I. L. Ellwood & Co., and their licensees was reduced to 5 cents per 100 lbs. from and after June 1, 1883 up to and including February 11, 1885.

Sections seventh and eighth being as follows:

"*Seventh.* (Appellant) agree to pay said reduced royalty of five cents on each and every one hundred pounds of barbed fence-wire which it shall license to be made or which shall be sold under a license from it, on and after June 1st, 1883, to and including February 11th, 1885. *Payments of said reduced royalty of five cents for each one hundred pounds on licensed wire to be made in accordance with the said original agreement and the amendments thereof;* but no payments of royalty on licensed wire to be made until it shall have been first collected by (appellee).

"*Eighth.* (Appellee) further covenant and agree with

(appellant), its successors or assigns, that it will p
the said reduced royalty of five cents per one hund
pounds to appellant, its successors or assigns, on
barbed wire made and sold by itself, I. L. Ellwood & Co., or its lic
sees, *at the time, in the manner and on the same terms and condit*
as payments are now required to be made by the provisions of
agreements now existing between the parties hereto, and that s
payments when due and payable shall be promptly and punctu
made to (appellant) or its successors or assigns, without any dela
rebate on account of any claim or demand, or question of claim
demand, of (appellee), or said I. L. Ellwood & Co., age
(appellant), and independently of any and all questions
dispute or otherwise which may arise between (appellant)
(appelleee) or said I. L. Ellwood & Co., or any or either of the
(R. 13.)

By the *Ninth Section* this contract was made assignable.

That appellant has in all respects complied with the conditions
its part to be done and performed.

That appellee in many respects neglected and refused to perfo
its contract; that whether appellee kept correct books of account
is unable to say; that appellee had not reported to appellant fro
time to time the issuing of licenses, collections of money or sett
ments made, or the reason for the failure to collect; that appell
acceped notes from its licensees, in settlement of royalty in place
money, and refused to account to appellant for its proper share ther
of; that many such notes have not been collected; that appellee h
made arrangements with makers of notes and settlement with so
of its licenses for the benefit of appellee alone, for all of which appe
lee should account to appellant; that the names of such persons a
the manner of settlement and the amount due appellant can only b
obtained from appellee's books, papers and correspondence, upon
proper accounting; that appellant is entitled to the benefit of suc
inspection; that appellee has refused appellant such inspection.

"That there was manufactured and dealt in by (appellee) a ce
tain patented barb wire known as the Brinkerhoff Patent; that t
former construction of such wire was slightly different from the ba
wire made under the Kelly patent heretofore mentioned; that t
same was and is barb wire within the meaning of said contracts; *
* that (appellee) has assumed to take advantage of the fact of slig
difference in the form of construction of such Brinkerhoff barb wir
and claims that it is not under any duty to account therefor to" (ap
pellant); that upon a proper accounting there would be due (appe
lant) several thousand dollars, (R. 16.)

The bill also alleges that in other ways, specifically set out, appellee violated its contract; that the manner in which such action has been taken by appellee can only be given after thorough examination of the books and records of appellee, and appellant insists it has full right to make examination of such books, records, etc., and that upon such examination being made appellee is liable to appellant in a large amount of money, which appellant believes is not less than two hundred thousand dollars, and prays for an answer for an inspection of the books of appellee, and for an accounting and general relief.

Appellee offered in evidence, on April 18th, 1888 on cross-examination of J. W. Calkins (R. 86, 98), a release from appellant dated July 26th, 1881, as to certain claims for bonus and back damage money. After this release was offered in evidence, and after nearly all the testimony had been taken below.

Appellant, on the 29th day of June, 1889, filed an amendment to its bill of complaint reciting, that between January 1, 1881 and July 29, 1881, appellee granted licenses to about the number of fifty, at a royalty of three-fourths ($\frac{3}{4}$) of a cent per pound, upon all barb wire thereafter to be manufactured by such licensees; and that appellee also collected from such licenses damages as infringements theretofore committed by such licensees upon barb wire patents owned by appellee (including the Kelly patents), and additional royalty at the rate of sixty cents (60c.) per 100 lbs.; that notwithstanding its duty in that behalf appellee fraudulently withheld and concealed from appellant the several amounts of money collected by it as damages for such past royalty and refused to pay appellant the royalty due it therefor.

That appellee refusing to pay appellant more than ten thousand dollars on account of the moneys due it for damages on such past royalties, and without accurate knowledge of the amount collected by appellee, or justly due appellant, and retained by appellee, and appellee refusing to pay more than ten thousand dollars, and appellant having no means of compelling appellee to furnish information, except by litigation and fearful that if litigation was indulged in it would imperil its future receipts of royalties for the few remaining years under the said contracts, accepted the ten thousand dollars from appellee and executed the paper bearing date July 27, 1881.

which is therein set out, releasing appellee from all other sums collected therefor and not paid appellant.

That appellant is informed and believes, that between January 1881 and July 27, 1881, appellee did in fact receive, either in cash by transfer to appellee Letters Patent, upwards the sum of four hundred thousand dollars; and that appellant was, under the terms of contracts, entitled to receive of and from appellee a sum upwards one hundred and fifty thousand dollars; and that if it were not said contract appellant would have been entitled to have received appellee for royalties for past infringements received by appellee subsequent to the date of said release, the sum of at least twenty thousand dollars.

That appellee held the position as trustee towards appellant; that appellee took an undue advantage of appellant; that appellee was informed and knew that appellant accepted said ten thousand dollars at the time it executed said pretended release, without full knowledge of the money that was due from appellee, and because appellant was fearful that legal proceedings against appellant would imperil its royalties for the remaining three years of the term of its contract with appellee. Appellant offers to return said ten thousand dollars to appellee, and asks that said release be declared void and set aside, and that in addition to the accounting prayed for in the original bill such further relief may be had as the nature of the case should require.

On June 29th, 1889, appellee filed an

AMENDED ANSWER to the amended bill, substantially admitting the execution of the original contract and amendments supplemental thereto as set out in the original bill; denies the various allegations that appellee did not comply with the terms of its contracts in reference to rendering statements of account in remitting royalty;

Admits that appellee did, after January 1, 1881, grant numerous licenses at a royalty of three-fourths of a cent per pound upon the barb wire to be thereafter sold, and that appellee collected damages on account of barb wire previously made and sold at the rate of fifty to sixty cents per hundred pounds in cash or by the transfer of Letters Patent to appellee;

Denies that appellant was entitled to share such damages for past infringements, or that it was appellee's duty to render a statement of the sum of money so collected by it; or to pay appellant any part thereof; that it did not conceal from appellant the sums of money so collected, but it did inform appellant of such sums of money; and that appellant had full knowledge, and that said agreement of July 27, 1881, was an agreement of compromise; denies the taking of notes or making improper settlements with its licensees.

Denies that there was manufactured and sold by it a certain patented article known as Brinkerhoff fencing, but says that the form of construction of such fencing was widely different from the barb wire made under the Kelly patent heretofore mentioned, and that the same "was not and is not barb wire within the meaning of said contracts," and that it was not and is not the duty of appellee to keep account of the sales thereof; or that there is due appellant several thousand dollars, or anything on that account; and denies it has disregarded any duty towards appellant in any way.

Appellee also sets up in its answer certain allegations relating to the purchase by it from one Jacob Haish on the 26th of July, 1881, of certain patent properties relating to barb wire and barb wire machinery; that certain of its licensees claimed such purchase was made for the purpose of avoiding the terms of the license between appellee and its other licensees; that appellant advised the making of such purchase; and that by reason of such purchase appellee was required to pay back to certain licensees large sums of money and that appellant is indebted to appellee by reason thereof in the sum of more than $28,000.

At the time appellee filed its answer to the amended bill,

It also filed a cross-bill against appellant, setting up in such cross-bill substantially the same statements as are set out in its answer in reference to such purchase of Haish's patents; the names of its licensees, to whom it claims it paid out such money by reason thereof; the amount of such payments, and asks for a decree in its favor therefor against appellant. (R. 49.)

By *stipulation*, the replication filed by appellant on the 4th day of

July, 1887; was to stand as the replication to the *amended* bill. (R. 30.)

(b.) *Evidence.*

The bill of complaint is based upon the contract of date July 3, 1876, and the subsequent amendments thereto.

The barb wire industry, now grown to vast proportions, was then in its infancy. The entire output in 1876 was but 500 tons, while in 1890 it reached upwards of 150,000 tons. The machinery was crude. No automatic machine, operated by steam, was then known or used. Most of the barbs were then placed on wire fences by the farmers with hand pincers. (R. 104. 237.)

The only known manufacturers of barb wire were Joseph F. Glidden & Isaac L. Ellwood, and Jacob Haish at De Kalb, Ill.; H. B. Scutt, at Joliet, Ill.; Charles Kennedy, at Aurora, Ill. (and his licensees, Doolittle & Co., at Bridgeport, Conn.), who made loose barbs, and appellant.

Appellee had been engaged for many years in manufacturing plain wire. It "had a large mill—the largest in the United States—and wanted to increase their output of wire." (R. 254.) Believing that the barb wire business would be "a good output for wire it was then manufacturing, and in condition to manufacture." (R. 458), in the summer of 1875, appellee procured two samples of barb wire then made by Glidden & Ellwood and Haish, at De Kalb, Ill., and on Sept. 12, 1875, made an agreement with Henry Putnam, of Vermont, to invent an automatic machine to manufacture the Glidden & Haish styles of barb wire. (R. 435.) This machine was finished in the fall of 1875 (R. 457), and on Feb. 13, 1876, Letters Patent No. 173,667 were issued to him therefor. This was the first letters patent issued, covering barb wire machines, which could be operated, automatically, by steam.

Appellee obligated itself to pay Putnam a royalty of ¼c. per pound on all barb wire thereafter to be made by it or its licensees, reserving, however, the option of purchasing said patent for $150,000. (including royalty previously paid), and such further money as might be expended by Putnam in developing his machines and litigation connected therewith. (R. 483.) This was appellee's first investment in the barb wire business.

Before purchasing any patents relating to barb wire or machinery, appellee employed able counsel who carefully looked up the state of the art relating to barb wire and barb wire machinery. (R. 459, 460, 491.)

This search disclosed that on July 23, 1867, Wm. D. Hunt was granted Letters Patent No. 67,117, for "improvement in fences." Hunt's method was by providing wires of an ordinary fence wire, such as had been long in use, with a series of separate, loose spurs or barbs thereon, which revolved around the wire. On June 25, 1867, Lucian B. Smith was granted Letters Patent No. 66,182, for "wire fences." (R. 801.) Smith's method was, also by applying rotary barbs upon the wire, but by means of short kinks or bends in the wire, preventing the barbs from moving laterally. On February 11, 1868, Michael Kelly was granted Letters Patent No. 74,379, for "improvement in fences." (R. 805.) Kelly's method under this patent, and under Letters Patent No. 84,062, issued to him November 17, 1868, for improvements in "metallic fences," was by fixing the barbs rigidly on the wire or wires so that the barbs could neither move laterally nor revolve upon the wire. In Letters Patent No. 74,379 this was accomplished by putting barbs around a wire (stringing the barbs on the wire), and then compressing the barbs upon the wire either (1) by blows or by pressure, or (2) by means of a fellow wire lying alongside the thorn wire, and twisting the two together; and in Letters Patent No. 84,062, by means of flat wire pierced with holes, in which metal barbs, with sockets in their middle, are inserted, and then compressing the wire inserted in the hole.

The idea of fixing the barb "rigidly" in place upon the wire, so as to neither revolve upon the wire or move laterally, (as stated by the Court in *Washburn & Moen* v. *Haish*, 4 F. R., 900), was that of Kelly. Numerous other letters patent relating to barb wire subsequently issued. Among these were Nos. 150,683, May 12, 1874, and 157,124, dated November 24, 1874, issued to Joseph F. Glidden (R. 820, 822, 829); Nos. 153,965, dated August 11, 1875, and 164,181, dated June 8, 1875, issued to Charles Kennedy. (R. 827, 832.)

In February, 1876, Charles F. Washburn, president of appellee, visited De Kalb, and met Isaac L. Ellwood and Glidden (R. 459), then partners in the business of making barb wire. Glidden

owned one-half interest in the business and plant of Glidden & Ellwood, and an undivided half interest in the Hunt patent No. 67,117, the Smith patent Nos. 166,182, the two Glidden patents Nos. 150,683, and 157,124, the re-issues thereof, and also the Glidden and Vaughan barb wire machine patents, No. 157,508. (R. 435.)

After first unsuccessfully endeavoring to purchase Haish's Letters Patent (R. 691), Washburn procured an option from Glidden for his said interests, and, subsequently, by agreement, dated May 10, 1876, paid Glidden therefor $60,000, in cash, and also agreed to pay him a royalty of ¼c. per lb. on all barb wire that should thereafter be manufactured or sold by it, or its licensees, until the expiration of the Glidden patent in 1892. (R. 459.)

Appellee also then entered into an agreement of partnership with Ellwood, under the style of "I. L. Ellwood & Co." for the purpose of manufacturing barb wire at De Kalb; C. F. Washburn, as trustee for appellee's Co., becoming a partner with Ellwood. The firm of I. L. Ellwood & Co. entered upon the manufacture and sale of barb wire in May, 1876, at De Kalb, Ill. (R. 436.)

On May 23, 1876, appellee bought from Charles Kennedy his patents Nos. 153,965 and 164,181; and an outstanding half interest in the Hunt and Smith Letters Patent which he owned. It agreed to pay Kennedy a royalty of ¼c. per lb. upon all barb wire that should be thereafter manufactured or sold by it, or its licensees, to the aggregate amount of $100,000. (R. 435.)

Appellee, thereupon, commenced to manufacture barb wire under the Hunt, Smith, Glidden and Kennedy patents. (R. 459.) It had previously been advised by its counsel, who had investigated the state of the art, that the wire so made by it infringed the Kelly barb wire patents. (R. 481.) Prior to said purchases by appellee, there had been an interference suit in the Patent Office between the owners of the Kelly, Hunt and Smith Letters Patent. (R. 481.)

In the Fall of 1876 appellant purchased the Kelly barb wire patents, and Mitchell machine patents, and commenced to make the Kelly barb wire at Chicago. On April 4, 1876, the Kelly letters patent Nos. 74,379, was re-issued as Re-issue No. 6,902 made in two Divisions "A" and "B."

Appellee was then experimenting upon an automatic machine to make the Kelly wire, but such machine was not perfected until the Fall of 1876.

After appellee had purchased from Glidden and Kennedy, it tried to buy appellant's patent properties at some fixed price. Appellant refused to sell, unless at a fixed royalty, upon future sale of all barb wire. On June 29, 1876, appellant and appellee executed a preliminary contract for the sale of appellant's patent properties to appellee. (R. 173.)

The negotiations between appellee, Putnam, Glidden and Kennedy were separate and distinct, and in no way connected with each other. They extended over a period of nine months, and were completed May 26, 1876. (R. 459.)

The purchase of the Kelly patent properties by appellee was in no way either connected with or dependent upon appellee's purchase of the Putnam, Hunt, Glidden or Kennedy patent properties. (R. 480.) Washburn, who conducted all the negotiations leading up to these several purchases, says while those negotiations were pending, appellee had "no serious talk in reference to purchasing" appellant's patents. (R. 460.)

The preliminary contract of June 29th, provided that appellant (1) should sell and convey to appellee the Kelly and all other patents it was interested in; (2) all claims for damages and profits for past infringements, under such patents; (3) that an "agreement shall be made back" from appellee to appellant for the payment of royalty of three-eighths of a cent (⅜c.) per lb. upon all barb wire thereafter to be made or licensed by appellee; (4) that licenses shall be granted to appellant by appellee under said patents; and (5) that appellant was "*not to be called upon* to pay any expense of litigation in which (appellee) may be engaged or involved in reference to said patents." (R. 173)

On July 3, 1876, the parties met at Worcester and as provided in said preliminary contract to "carry out in good faith and without unnecessary delay, all the agreements referred to," contracts were prepared by appellee's counsel for that purpose and duly executed.

Under the "agreement which shall be made back" which was dat-

ed July 3, 1876, (R. 2) appellee covenanted "*to enter upon the manufacture of barb fence wire under the patents aforesaid*, and to use reasonable and diligent efforts to supply the demand for this *article* throughout the country, and also to use *reasonable and proper diligence* in prosecuting infringers" (§4). Also, to "pay, or cause to be paid to (appellant) their assigns or legal representatives, three eighths of a cent (⅜c.) per pound upon all barbed fence wire which appellee shall manufacture and sell, or cause to be manufactured and sold, *and receive pay therefor* under said several letters patent, *or any one of them*, and also upon all barbed fence wire which may be manufactured and sold by others under any license which may be granted by them to appellee under said patents, *or any one of them, for which pay shall have been received by the parties* thus licensed, for and during the term for which said several letters patent are granted;" (§2.) (The last patent expired Nov. 17, 1885.) Also "To pay (appellant) three-eighths of a cent (⅜c.) per pound upon all barbed fence wire which was made by Glidden and Ellwood and I. L. Ellwood & Co. from the dates of the several re-issue patents aforesaid up to the date hereof, *and also the same amount per pound upon all wire* upon which they shall recover from past infringers of said re-issue patents or either of them *under any suit or suits which they may hereafter* institute and prosecute to final judgment, or *which may be settled, without judgment by payment of royalty*, by appellee," And also a royalty of one cent (1c.) per lb. upon all loose barbs. (§8)

Also, "to keep separate and accurate accounts *of the entire product manufactured and sold under said patents and of the said part of said product for which they shall actually receive pay in any form*," and to render "a statement in writing of the entire product sold under this agreement," and remit therefor monthly. (§3).

It was also provided, that if appellee should "discontinue permanently the manufacture of barbed fence wire * * * then the said letters patent should be retransferred to appellant." (§5). Appellee did not discontinue such manufacture.

Appellant transferred the title for the Kelly and Mitchell patents to appellee; and also, all claims for past infringements of the Kelly barb wire patents. (R. 174–180, Ex. C., 3–5–6–7–8 & 9.)

The preliminary contract of June 29th also provided that appellee should issue to appellant a license to manufacture under the patents sold to it by appellant. Two such licenses were granted by appellee; one a license to appellant to manufacture at a single shop or factory, in Chicago, "and no other place," under the Mitchell machine patents; (R. 175. Ex. C. 4), and the other, a license under the Kelly wire pat-

ents "a single shop or factory" of the styles of wire shown in the drawings accompanying the Kelly patents. (R. 211.)

Under this license appellant was required to observe the price fixed by appellee and Ellwood in the sale of such wire.

The license under the Kelly patents provided that it "should be forfeited by noncompliance with its provisions by the licensees." It was "restricted to the Thorn Wire Hedge Company, as a Company, and is not available to the members of said company, as individuals, and is not transferable." But the "agreement back" providing for payment of royalty to appellant, was assignable. (§ 9)

Neither license limited the amount of wire so authorized to be made. But appellant could not manufacture "loose barbs" without the written consent of appellee.

The double independent capacities of appellant, as receiver of royalty, and as a licensee, were continuously recognized by appellee.

The relation of appellant to appellee in these two capacities is entirely *distinct* and separate, and, if borne in mind, will throw much light upon many questions that arise in the dealings between the parties, and greatly assist in determining the questions presented.

Appellant seeks to recover in the bill of complaint solely under the "agreement back" of appellee to pay royalty, being the contract of July 3, 1876, set out therein. It neither sets up or seeks any relief, under any of said licenses. Nor does appellee set up any defense, nor seek any relief under its cross-bill by reason of any matter or thing arising under either of appellant's said licenses.

Having purchased the Kelly patents, appellee instituted suits against the infringers of patents owned by it as provided in §4 of the contract. Among these, were the Ohio Steel Barb Fence Co., the Joliet Wire Fence Co., H. B. Scutt and Pooler & Jones.

Appellee represented to appellant, that such and other infringers would take license from appellee, if appellant would reduce its royalty, and waive its right to damages which appellant might recover in those suits. Thereupon, on December 2, 1878, a contract supplemental to that of July 3, 1876, was executed reducing appellant's royalty from three eighths of a cent (⅜c.) to one quarter of a cent per lb; appellant also waiving its right to past royalties or damages as to said

defendants. Appellee availed itself of such release of back damages issued three licenses, and in consideration of such release procured conveyance to it of the letters patent from the parties to whom it the granted licenses. On December 7th, 1878 appellee issued a license the Ohio Steel Barb Fence Co. for 4,000 tons per annum. (R. 302) On the 18th of December, 1878, it also issued a license to H. B. Scu (who was also a successor to the Joliet Wire Fence Co), for 5,0 annual tons. (R. 287.) Appellee also issued a license to Pooler Jones to make loose barbs. (R. 308.)

The royalty required to be paid to appellee under these licens was one and one-half cents (1½c.) per pound.

Difficulties having arisen in making monthly remittances of roya ties the "agreement back" was then further modified so that appell was required to make remittances of the royalty thereafter quarterl viz: on the first days of the months of January, April, July and O tober, for the royalty collected in the preceding quarter.

About August 1879, appellee again desired a reduction of th royalty, and represented to appellant if it would still further reduc its royalty to 15c. per 100 lbs, appellee would also reduce the royalt required to be paid by its licensees, under all appellee's patents, t "at least" three-fourths of a cent (¾c.) per lb., instead of one an one-half cents (1½c.) per lb., then required to be paid it by i licensees.

Thereupon, on the 7th of August, 1879, appellant and appellee e tered into a *second* supplemental contract, "for the purpose o increasing the manufacture of *barbed fence wire* * * * an inducing other parties to pay royalty thereon (appellant) *wi* reduce the amount to be paid to it," by appellee from one-fourth o a cent (¼ c.) per pound to fifteen cents (15 c.) per one hundre pounds, and (appellee) "*agree to* reduce the royalty, or the amou required to be paid to it on account of its ownership of *any paten used* in the manufacture of said wire by it or its licensees, or perso manufacturing or selling barb fence wire, under its authority, or wh shall hereafter be so licensed by it *to at least* seventy-five cent (75 c.) per one hundred pounds of said *barbed fence wire* so manu factured and sold." (R. 9.)

Appellee, however, refused to reduce the royalty required to be paid to it by Scutt or the Ohio Steel Barb Fence Co., their

then only licensees, or to license numerous other parties, who were willing to take and who were seeking licenses, at a royalty of three-fourths of a cent (¾ c.) per pound, until about January 1, 1881.

On December 15th, 1880, suits brought by appellee under the Kelly patents, were reached for final hearing, in the Circuit Court of the Northern District of Illinois. Judges Drummond and Blodgett sustaining appellee's barb wire patents, decrees were entered referring the cases to the Master to report damages. (4 F. R., 900.)

Although the defendants in these and other suits instituted elsewhere, had united together for the purpose of defending the same, upon the rendition of this decision, L. L. Coburn counsel for appellee, states that "nearly all the barbed wire manufacturers throughout the country acknowledged the validity of (appellee's) patents * * * and took license," from appellee. (R. 315.)

Not until the rendition of this decision did appellee attempt to reduce its royalty to 75c. per 100 lbs., or issue any license at such reduced rate of royalty.

During the months of January and February, 1881, appellee and I. L. Ellwood issued forty-eight licenses to an aggregate annual tonnage of 50,000 annual tons. (R. 377,411.)

In addition to these licensees numerous other persons (including appellant) made application for licenses.

Previous to granting such license, each manufacturer was required to make written application to appellee and I. L. Ellwood, giving the location of its business; the number of machines used; the capacity of plant; the letters patent under which they had been manufacturing; and the "*amount of wire previously made.*" (R. 328.)

The licenses drawn by appellee's counsel were similar, and recited that they were issued under the Hunt, Smith, Kelly and Glidden letters patents, specifically, and also all other letters patent owned by appellee; acknowledged the validity of appellee's letters patent; and were for the same style of wire previously manufactured, and as described in the application, and at a royalty of seventy-five cents per 100 lbs., payable monthly. (R. 359.)

The licenses were approved in writing by I. L. Ellwood, as a joint owner of certain Letters Patent, by virtue of some contract between

him and appellee (not in evidence), whereby appellee could issue no license without the concurrence of Ellwood. (R. 445.)

In addition to back damages appellee exacted from all but two of these licensees a bonus or "premium for privilege of obtaining a license" of $10. per ton, for each ton licensed; and required each licensee to transfer to it and I. L. Ellwood all barb wire and machine patents owned by such licensee and to pay to appellee a fixed amount of damages, committed prior to January 1, 1881, upon the patents owned by it, agreed upon as 60c. per 100 lbs. This bonus and back damage money was in most cases made payable in installments of 10c. per 100 lbs., upon the wire thereafter manufactured and payable in the same manner and at the same time as the 75c. royalty.

In each settlement appellee and Ellwood alone determined whom they would license; the amount of bonus and back damages, the style of wire licensed; the amount to be allowed for patents transferred by such licensees to appellee and Ellwood as a rebate on back damages; the number of machines to be used; amount of tonnage and place of manufacture. (R. 472, 482, 662, 693.)

When appellant learned that appellee was charging a bonus in addition to royalty for past infringements and future royalty, appellant protested and informed appellee that such action was not in accordance with the modified contract of August 7, 1879. (R. 185, 277.)

When granting the licenses and making settlements with the various parties for past infringements appellee informed appellant that it had included in the amount it was collecting for such back damage money, the royalty which it had agreed to pay appellant. (R. 84.)

When in Chicago, granting licenses, Washburn was requested by appellant to furnish it a statement of the amount of bonus and back damage money which appellee had then collected. This he promised to do "as soon as he got his papers together" upon his return to Worcester. (R. 105, 240.) Upon his return to Worcester, however, Washburn refused to render such statement. Failing to do so, appellant on March 21, wrote appellee that it "Had not yet received the report of sale for the month of February, nor official notice of settlements with the various infringing companies." (R. 184.)

In response to this appellee wrote "We shall defer making our re-

port and settlement with the various infringing companies until we have had an opportunity of seeing Mr. Ellwood here in Worcester, which will be early in April." (R. 184.)

Subsequently, on April 26th, appellee wrote stating that it refused to make such report. (R. 506.). Appellant again wrote appellee upon receipt of the quarterly statement, that such statement was not correct, nor did it give a just and true amount of the sums "due under the various contracts between them." (R. 184.)

Correspondence followed, appellee refusing to render an account, and appellant insisting that appellee should "adjust the royalty as per agreement." (R. 185.)

Appellee could easily have furnished such report as immediately upon and as fast as it collected the back damage money from its licensees, it entered such payments upon its books as a credit in favor of appellant at the rate of 15c for each 100 lbs. of barb wire made by such licensee, prior to January 1881, precisely in the same manner as it entered the royalty received upon wire manufactured subsequent to January, 1881. (R. 414.) But appellee studiously concealed from appellant the fact that it had thus, month by month, been giving credit to appellant on its books for such back damage money. Appellant first learned of the fact that credit was so given upon the books in the month of July, 1889, and after the filing of the amended bill of complaint.

Appellant, as a manufacturer of barb wire, made a contract with appellee in the Spring of that year for the sale and monthly delivery to it of a large amount of plain wire to be used in its manufacture. On July 1st, appellant owed appellee therefor the sum of $26,880,87. Appellant wrote that it would not pay this money to appellee until it would "furnish this (appellant) company *with an itemized report of the amount of money collected* and due" appellant for back damages. (R. 185.) Appellee replied that if appellant would not pay this amount of money, appellee would cease to further supply it with wire under their contract. Subsequently, on the 27th of July, appellant and appellee met at Chicago, and appellee not having at any time furnished appellant with any report or statement of the amount of this back damage money collected by it, and refusing to render such a statement, appellee paid to appellant the sum of $10,000., and appel-

lant, in ignorance of the full amount collected by appellee from the various infringing parties for back damages, executed a release paper of that date, purporting to release appellee of all claims for damages committed by its licensees prior thereto. (R. 212.)

When appellant executed this release it informed appellee that it did so in ignorance of the amount of money so received, and that fearing litigation to recover back damage money would imperil its receipt for future royalty under its contract. Appellee now admits that it had either then collected money or had in its hands obligation of its licensees from which it admits it subsequently collected the amount of $64,095.38, for bonus money, and $257,447.97, for damages committed upon barb wire patents prior to January 1, 1881, or in all, the sum of $320,543.35. In addition to this amount of money which it admits it collected appellee was also paid by allowance, by way of reduction from back damages, the additional amount of $75,000.00, as for and in consideration of the transfer to appellee and Ellwood, by their licensees, of divers letters patent. The amount of money thus collected aggregating about the sum of $400,000.; all rights to share in which, appellee claimed was released by said paper of July 27th, 1881. Appellant was, as a matter of fact, entitled to upwards of $145.000. of this amount of money. Appellant claims there was also due to it from appellee on said 27th of July, 1881, the sum of $42.500. for additional royalty upon the manufacture of appellee, I. L. Ellwood & Co., Ohio Steel Barb Fence Co. and H. B. Scutt, prior to January, 1881.

In addition to the amount of money thus released, appellee subsequently collected $63,475,. for bonus money, and $15.482., for back damages, the right by appellant to share in which is unquestioned.

The situation of the parties has not changed since such release was executed. Neither has appellant done any act or incurred any obligation by reason of, or relying upon such release. Appellant seeks to recover the difference between the sum of $10,000, then paid it and the sum of $188,000., then justly due it under its contract for back damages and other unpaid royalty.

A decision was rendered in the Eighth Circuit Court on June 4, 1883, by Judge Treat, holding both the Glidden and Kelly re-issued patents invalid. (16 F. R., 661, R. 784.)

Under the contract of July 3, 1876, it was left optional with appellee either to continue the payment of royalties to appellant or to discontinue manufacturing and retransfer the letters patent to appellant.

Instead of discontinuing manufacturing under the Kelly patents, another supplemental contract, bearing date July 12, 1883, was made between the parties, by which appellant reduced the royalty to 5c per 100 lbs. from and after the first day of June, 1883, during and until February 12, 1885, instead of until November 17, 1885, as provided in the original contract. (R. 11.)

The immediate occasion of this supplemental contract was Judge Treat's decision.

Appellee paid appellant royalty at the rate of 5c per 100 lbs. upon barb wire manufactured by its licensees, during the month of May, instead of 15c as provided in the contracts. Appellant claims $13,476.98, additional royalty on this account.

On July 26th, 1881, appellee and Ellwood purchased from Jacob Haish various patent properties relating to barb wire and barb wire machinery then owned by him. Before making such purchase appellee procured from appellant, a release for all royalty which appellant might be entitled to upon Haish's individual manufacture. The purchase of these letters patent was determined upon by appellee after deliberation by its Board of Directors, and under advice of its numerous counsel, for the reason that they considered such patents very valuable, and desired them for the purpose of obtaining the control of the barb wire business, after the expiration of the Kelly Letters Patent in 1895.

All that was asked or required of appellant was that it should release its right to royalty upon Haish's individual manufacture, and this was all the paper sought to accomplish. After appellee made such purchase certain of appellee's licensees instituted proceedings against appellee for the purpose of modifying their license contracts, alleging that the purchase of the Haish patent properties was not a bona fide transaction.

Appellee sets out in its answer and attempts to show that it was unable to collect a large amount of royalty by reason of the Haish purchase and in its cross-bill seeks to recover from appellant certain

moneys which it claimed to have paid to certain licensees in settlement of these suits.

In the view we take of this matter, this purchase is not a sufficient reason for not paying or attempting to collect royalties from its licensees, or as a basis for appellee's cross-bill.

Subsequent to June 12, 1883, appellee made settlement with numerous licensees for uncollected royalties, in which settlements it remitted the royalties. Appellee received for such remittances new licenses for longer terms, than the old licenses, and for increase of tonnage and other considerations. The royalties thus remitted could have been collected, in most cases, by the exercise of due diligence. All these settlements were made without consulting and without the knowledge of appellant.

In many of these settlements the amount remitted is in evidence; in others the amounts remitted, as well as the exact terms of such settlement, can only be ascertained upon testimony taken under an accounting being had. Most of the settlements were made in writing, but no information as to the terms of any settlement was furnished by appellee, although repeatedly called for by appellant, until after the institution of this suit, and those so furnished are in evidence.

The amounts involved in such settlements aggregate upwards of $63,000.

In 1879 parties owning the Brinkerhoff Letters Patents relating to barb fencing made application to appellee for a license. Appellee requested appellant to remit its royalty. Appellant refused. Appellee then purchased these letters patent, and thereafter manufactured the Brinkerhoff style of barb fencing.

Appellant was not informed of the fact of, or the purchase by appellee of the Brinkerhoff patents, nor the time when appellee commenced to manufacture such wire, or the amount of such manufacture.

Appellee manufactured upwards of 9,000,000 lbs. of the Brinkerhoff style of barb wire, the royalty on which is unpaid and amounts to upwards of $10,000. The exact amount can only be ascertained by an inspection of the books of appellee.

Other matters arise, but these are the main facts, under which the controversy arises, under complainant's bill and defendant's cross-bill without going into detailed evidence.

II

Assignment of Errors.

1. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty upon barbed fencing manufactured and sold by appellee and by its licensees, between the dates August 7th, 1879 and January 1, 1881, at the rate of one-fourth of one cent per pound, less such payments as had been made thereon.

2. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee a royalty at the rate of one-fourth of one cent per pound upon all barbed fencing manufactured and sold by appellee and by its licensees and by I. L. Ellwood & Co., prior to January 1, 1881.

3. The court below erred in not declaring void the alleged release of appellant, bearing date July 27th, 1881.

4. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty at the rate of fifteen cents per hundred pounds for the period between the dates of January 1st, 1881, and June 12, 1883, upon all barbed fencing manufactured and sold by licensees of appellee which could and should have been collected by appellee from such licensees.

5. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty at the rate of five cents per hundred pounds for the period between the dates of June 12, 1883 and February 12th, 1885 upon all barbed fencing manufactured and sold by licensees of appellee which could and should have been collected by appellee from such licensees.

6. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty at the rate of fifteen cents per hundred pounds for the month of May, 1883.

7. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty upon barbed fencing made and sold by divers licensees of appellee prior to February 12th, 1885, the royalty accruing on which was abated, released or compromised by appellee.

8. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty upon barbed fencing manufactured and sold by licensees of appellee prior to February 12, 1885, for the payment of which royalty appellee took notes or other payment instead of cash.

9. The court below erred in not decreeing that appellant was entitled to have and recover of and from appellee royalty upon barbed fencing for which appellee received notes, and in payment of such notes money was subsequently received by appellee.

10. The court below erred in not decreeing that appellant was entitled to have and recover of and from the appellee royalty upon the barbed fencing manufactured and sold by defendant under the designation of Brinkerhoff Barbed Fencing.

11. The court below erred in not finding the issues for appellant.

12. The court below erred in finding issues for appellee.

13. The court below erred in not finding issues for appellant and entering a decree directing that an account be taken.

14. The court below erred in not entering a decree in favor of appellant, according to the prayer of its Bill of Complaint.

15. The court below erred in dismissing the cause for want of equity.

16. The court below erred in entering the decree dismissing the Bill of Complaint of appellant for want of equity. (R. 76.)

BRIEF OF POINTS IN ARGUMENT.

Pg. of Arg't.

26–44 The contract should be construed so as to give appellant a royalty upon all barb wire which appellee manufactured, or which it licensed, or for which it received pay in any form, during the term of the contract.

26 *Electio personae* is a material element in a contract.

First Nat'l Bank v. *Hall*, 101 U. S., 43.
Pollock on Contracts, p. 172.

27 Courts of equity, like courts of law, construe contracts as parties make them.

Dean v. *Nelson*, 10 Wall., 158.
Waterman v. *Banks*, 144 U. S., 401.

28 All previous negotiations are merged in the written contract of July 3, 1879.

Anson on Contracts, p. 226.
Greenleaf on Ev., Vol. 1. § 275.
Taylor on Evidence, § § 1035, 1046.
Ins. Co. v. *Mowry*, 96 U. S., 547.
Bast v. *Bank*, 101 U. S., 93.
Thompson v. *Ins. Co.*, 104 U. S., 259.
Potomac Ins. Co. v. *Upper Potomac Steamboat Co.*, 109 U. S., 672.
Van Winkle v. *Crowell*, 146 U. S., 42.
Philadelphia R. R. Co. v. *Howard*, 13 How., 307.
Emerson v. *Slater*, 22 How., 28
Oelricks v. *Ford*, 23 How., 49.
Ruffner v. *Hogg*, 1 Black, 115.
Specht v. *Howard*, 16 Wall., 564.
Gavinzel v. *Crump*, 22 Wall., 308.
Forsythe v. *Kimball*, 91 U. S., 291.
Brown v. *Spafford*, 95 U. S., 474.

29 Evidence should be confined to the issues raised in the pleadings.

Crockett v. *Lee*, 7 Wheat., 522.
Daniels Chancery, 712, 852, 853.

Piatt v. *Vattier*, 9 Peters. 405.
Harrison v. *Dixon*. 9 Peters; 483.
Waden v. *Bodley*. 14 Pet. 156.
House Ins. Co. v. *Meyer*, 93 Ill., 271.
Johnson v. *Johnson*, 114 Ill., 611.

30, 31 In construing contracts Courts should endeavor to carry out intention of the parties and to construe every part of the contract, if possible.

Canal Co. v. *Hill*, 15 Wall., 94.
Heryford v. *Davis*, 102 U. S., 235.
Beardsley v. *Beardsley*, 138 U. S., 262.
Chesapeake & Ohio Canal Co. v. *Hill*, 15 Wall., 94.
Smith on Contracts, p. 484.
Chitty on Contracts, p. 117.
Hendrick v. *Lindsay*, 93 U. S., 143.
U. S. v. *Granite Co.*, 105 U. S., 37.

32 The Court will look into the surrounding circumstances existing at the time of the execution of a contract, to ascertain the intention of the parties so as to aid in its interpretation.

Thornington v. *Smith*, 8 Wall., 1.
Maryland v. *R. R. Co.*, 22 Wall., 105.
Reed v. *Ins. Co.*, 95 U. S., 23.
United States v. *Peck*, 102 U. S., 64, and cases cited.
Merriam v. *United States*, 107 U. S., 437.
Goddard v. *Foster*, 17 Wall., 123.

35 The contract being drawn by appellee should be construed most strongly in favor of appellant.

Noonan v. *Bradly*, 9 Wall., 394.
First Nat'l Bank v. *Hartford Ins. Co.*, 95 U. S., 673.

34 A contract of this character should be liberally construed in favor of appellant.

Ball & Sockett Fastening Co. v. *Glove Fastener Co.*, 7 C. C., App. 498. (S. C. 58 F. R. 818.)

35 The Court should construe the contract in the sense in which appellee believed appellant understood and accepted it.

2 Kent's Com., *557.

36 Appellee was trustee for appellant for the percentage of sales covenanted to be paid.

Tilghman v. *Procter*, 125 U. S., 136.
Rude v. *Wescott*, 130 U. S., 152.

36 Whatever is fairly implied is included within the terms of the contract.

Jones on Construction of Contracts, § 226.
Donohue v. *Kettel*, 1 Clifford, 144.

37 If there is any doubt as to the meaning of the contract, the Court should follow that construction which the parties themselves have placed upon it by their own acts.

Bishop on Contracts, § 412.
Lowber v. *Bangs*, 2 Wall., 728.
Topliff v. *Topliff*, 122 U. S., 121.
R. R. v. *Trimble*, 10 Wall., 367.
District of Columbia v. *Gallaher*, 124 U. S., 505.

38 The contract being drawn to carry out the preliminary contract of June 29, should be construed, if possible, to carry out the terms of the preliminary contract.

Bank of Columbia v. *Paterson's Adms.*, 7 Cranch, 299.
Pepper v. *Burland*, Peake's Rep., 103.

44 Courts of equity will look into parol testimony to show the object of the parties in executing and receiving an instrument.

Peugh v. *Davis*, 96 U. S., 332.
Bast v. *Bank*, 101 U. S., 93.
Jones on Construction, § 157.
Ware v. *Allen*, 128 U. S., 590.
Burke v. *Dulaney*, 153 U. S., 228.

46 Covenants in a contract are to be construed dependent or independent, according to the intention of the parties.

R. R. Co. v. *Howard*, 13 How., 307.

47 The intention of the parties is to be sought for and regarded rather than the order of time in which the acts are to be done.

Tomkins v. *Elliot*, 5 Wend., 496.

Covenants should be construed as near as possible to the intent of the parties as gathered from the whole context of the instrument.

Platt on Covenants, 72 to 80.
Wadlington v. *Hill*, 10 S. & Miss. 560.
Howland v. *Leach*, 11 Pick., 151.

47, 48 Where mutual covenants go to the whole of a consideration on both sides, they are mutual, the one precedent to the other.

Hyde v. *Booraem*, 16 Peters, 178.
Grant v. *Johnson*, 5 N. Y., 247.
Duke of St. Albans v. *Shore*, 1 H. Blackstone, 270.
Roberts v. *Brett*, 16 C. B., (N. S.) 611.
Bankhart v. *Bowers*, 1 L. R., (C. P.) 484.
Platt on Covenants, 80.
Note by Sergeant Williams in Pordage v. *Cole*, 1 Saunders, 319.

48 In unilateral contracts, it is only where the party sought to be charged has had the benefit of the consideration that he is bound.

Richardson v. *Hardwick*, 106 U. S., 252.

48, 49 Courts construe covenants as dependent rather than independent.

Bank of Columbia v. *Hagner*, 1 Peters, 455.
Turner v. *Ogden*, 1 Black, 450.
Dakin v. *Williams*, 11 Wend., 67.
Necum v. *Peoria R. R. Co.*, 21 Ill., 533.
Pollak v. *Brush Electric Ass'n*, 128 U. S., 447.

49 In order to enforce the contract of August 7, 1879, appellee must have shown itself "ready, desirous, prompt and eager" to perform its contract.

Raymond v. *San Gabriel Valley Co.*, 10 U. S. App., 601.

Pomeroy on Specific Per. of Contracts, §399.

57 Statements made by appellant's officers to appellant's Directors at the time the contract of August 7, 1879, was executed are admissible as part of the res gestae.

Greenleaf on Ev., § 108.
Rice on Ev., 375.
Conn. Life Ins. Co., v. *Lathrop*, 111 U. S., 612.
Travelers' Ins. Co. v. *Mosley*, 8 Wall., 397.
Vicksburg etc. R. R. Co. v. *O'Brien*, 119 U. S., 99.

73 It was not necessary that Ellwood should join in the licenses, inasmuch as appellee was a joint owner with Ellwood, and would have authority to grant such licenses.

Curtis on pat., §§ 189, 191.
Hindmarch on pat., 67, 236.
Bump on pat., 141.
Dunham v. *Railroad Co.*, 7 Bissel, 223.
Clum v. *Brewer*, 2 Curtis C. C. Rep., 506.
Parkhurst v. *Kinsman*, 1 Blatch., 496.
May v. *Chaffee*, 2 Dillon., 385.
Whiting v. *Graves*, 13 O. G., 455.
Vose v. *Singer*, 4 Allen, 226.
DeWitt v. *Mfg. Co.*, 12 N. Y., 302, (S. C. 66 N. Y., 459).
Gates v. *Frazier*, 9 Brad., 624.
Mathers v. *Green*, 1 L. R. Chan. App., 29.
Edwards v. *Normandy*, 3 N. R., 562, (S. C., 12 W. R. 548).

80 Appellant was not required to seek for information from parties other than appellee.

Kilborn v. *Sunderland*, 130 U. S., 505.
Krohn v. *Williamson*, 62 F. R., 869.

83 The denial by a trustee of the trust relation is a breach of trust and a fraud.

Scanlan v. *Scanlan*, 134 Ill., 640.

91 So long as appellee manufactured and sold, or licensed others to sell wire, under any one of appellant's patents it was bound to pay the stipulated royalty.

Pope Mfg. Co. v. *Owsley*, 27 F. R., 100.
Kirkpatrick v. *Pope Mfg. Co.*, 64 F. R., 369.

95 Independent of any contract, it was appellee's duty to keep books and render full statements of accounts.

Story's Eq., § 468.
Pomeroy's Eq., § 1063.
Perry on Trusts, § 821.

103 Appellee was guilty of fraud in not fully disclosing facts and circumstances relating to the manner of keeping its books relating to back damages and the amount collected therefor.

Story's Eq. Jur., § 207.
Hill on Trustees, *525.
Walker v. *Symonds*, 3 Swanston, 73.
Crosby v. *Buchanan*, 23 Wall., 420.

105–107 The recitals in the release of July 27, 1881, are not binding, the covenants of such release being clear and unambiguous.

Greenleaf on Ev., § 26.
Chitty on Contracts, p. 90.
Jones on Cons. of Con. § 217.
Walker v. *Tucker*, 70 Ill., 537.
Munroe v. *Alaire*, 2 Caines, 320.
Holmes v. *Hubbard*, 60 N. Y., 186.
Miller v. *Tunica*, 67 Miss., 657.
Adams v. *Gibney*, 6 Bing., 656. 4 M. & P., 491.
Walsh v. *Trevanion*, 15 C. B., *751.
Bell v. *Bruen*, 1 How., 169.
Leggot v. *Barrett*, L. R. 15 Chy. 311.
Clifton v. *Walmesly*, 5 D. and E., 564.

111 The release of July 27, 1881, being made under misapprehension as to the amount of money released should not be permitted to stand.

Perry on Trusts, § 923.
Hill on Trustees, p. 899 (*581).

111 Appellee should not be allowed to say what appellant would have done, appellee not then furnishing it with full information.

Kilbourn v. *Sunderland*, 130 U. S., 505.

120 Where a contract is carefully drawn, courts will not imply a covenant unless plainly intended.

Hudson River Canal Co. v. *Penna. Coal Co.*, 8 Wall., 276.

Thompsonville Scale Mfg. Co. v. *Osgood*, 26 Conn., 16.

123 Statements of Styles and Calkins made by them after the release was executed, in a matter in which they were not acting for appellant, are not binding on appellant.

Angel & Ames on Cor., § 309.
Winchester v. *Creary*, 116 U. S., 161.
Leeds v. *Marine Ins. Co.*, 2 Wheat., 380.
Peek v. *Detroit Novelty Works*, 29 Mich., 313.
Merchants' Nat'l Bank v. *Clark*, 139 N. Y., 314.
Western Natl. Bank v. *Armstrong*, 152 U. S., 346.
Northwestern Union P. Co. v. *Clough*, 20 Wall., 528.
Vicksburg R. R. Co. v. *O'Brien*, 119 U. S., 99.

125 The $10,000. paid appellant in consideration for the release of July 27, 1881, being but a part of the $180,000. then due, was not a good consideration for such release.

Chitty on Contracts, § 747.
2 Greenleaf on Ev., 28, 493.
Warren v. *Skinner*, 20 Conn., 559.
Pinnel's Case, 3 Coke, 238.
Cumber v. *Wane*, 1 Str., 426.
Fitch v. *Sutton*, 5 East., 230.
Heathcote v. *Crookshanks*, 1 Term Rep., 24.
Good v. *Cheesman*, 2 B. and Adol., 328.
Neal v. *Handley*, 116 Ill., 418.
Hayes v. *Mass. Life Ins. Co.*, 125 Ill., 626.
Rose v. *Hall*, 26 Conn., 392.
Miller v. *Holden*, 18 Ver., 337.
Acker v. *Phoenix*, 4 Paige, 305.
Boyd v. *Hitchcock*, 20 Johnson, 76.

126 Inadequacy of consideration so gross as to shock the conscience, or in connection with the circumstances which are charged as constituting fraud, are grounds for equitable jurisdiction.

Story's Eq. Jur., §§ 244, 245.
Pomeroy's Eq. Jur., § 928.
Morse v. *Royal*, 12 Vesey, 372.
Graffam v. *Burgess*, 117 U. S., 184.
Butler v. *Haskell*, 4 Desaure Eq. (S. C.), 651.

128 The alleged settlement cannot be construed an account stated.
Railroad Co. v. *Lindsay*, 4 Wall., 650.

129 Appellant's officers having testified to what occurred between themselves and their counsel, the seal of secrecy was removed from his lips.

Hamilton v. *People*, 29 Mich., 185.
Rowland v. *Plumer*, 50 Ala., 182.
Parker v. *Carter*, 4 Munf., 286.

130-138 The release of July 27, 1881, having been executed without full disclosure by appellee of all facts as to the amount of money collected for back damages, and appellee having concealed and

misrepresented material facts, ought not to stand, and such release is revokable at the option of appellant.

Hill on Trustees, p. 821, *p. 525, p. 244, *p. 166.
Perry on Trusts, §§ 178, 428, 923.
Pomeroy Eq., §§ 901, 902, 958, 959.
Spence's Eq. Jur., *p. 944, *933.
Story's Eq. Jur., §§ 218, 316, 465, 311.
Kent, Vol. 2, *p. 490, Vol. 4. *438.
Torrey v. *Bank of Orleans*, 9 Paige's Ch., 662.
Brooks v. *Martin*, 2 Wall., 70.
Patrick v. *Bowman*, 149 U. S., 412.
Coles v. *Trecothick*, 9 Vesey, p. 234.
Trevelyn v. *Charter*, 4 L. J. (N. S.) Ch., 211.
Michoud v. *Girod*, 4 How., 503.
Fox v. *Macreth*, 2 Bro. Chy., 400.
Davoue v. *Fanning*, 2 Johns Ch., 252.
Hammond v. *Hopkins*, 143 U. S., 251.
Hoyt v. *Latham*, 143 U. S., 553.
Wormly v. *Wormly*, 8 Wheat., 421.
Stephen v. *Beall*, 22 Wall., 329.
Wadsworth v. *Adams*, 138 U. S., 389.
Robertson v. *Chapman*, 152 U. S., 673.
Gibson v. *Jeys*, 2 Vesey Jr., 278.
Hatch v. *Hatch*, 9 Vesey, 297.
In Ex Parte Lacy, 6 Vesey, 627.
Hamilton v. *Wright*, 9 Clk. & F., 124.
Panama Tel. Co. v. *India Rubber Co.*, L. R. 10 Ch. App., 515.
Manning v. *Cox.*, 7 Moore Rep., 617.

139 It is not necessary for appellant to show that appellee obtained any advantage.

Whichcote v. *Lawrence*, 3 Ves. Jr., 740.
Campbell v. *Walker*, 5 Ves. Jr., 680.
Ex. Parte Lacey, 6 Ves. Jr., 626.
Ex. Parte James, 8 Ves. Jr., 348.
Ex. Parte Bennett, 10 Ves. Jr., 393

139-142 The burden of proof is upon appellee to show that it did not

take advantage of its situation to benefit itself at the expense of appellant, and that such settlement was fair and reasonable.

Randall v. *Errington*, 10 Ves., 423.
Montesquieu v. *Sandys*, 18 Ves. Jr., 302.
Medlicott v. *O'Donel*, 1 Ball. & B., 156.
Carter v. *Palmer*, 8 Clk. & F., 657.
Farnum v. *Brooks*, 9 Pick., 212.
Green v. *Winter*, 1 Johns. Ch., 36.
Davone v. *Fanning*, 2 Johns. Ch., 252.
Munroe v. *Alaire*, 2 Caines Repts. 320.
Price v. *Winter*, 15 Fl. 109.
Jewett v. *Miller*, 10 N. Y., 402.
Van Epps v. *Van Epps*, 9 Paige Chy., 238.
Staats v. *Bergen*, 2 C. E. Green (N. J.) 554.
Romaine v. *Hendrickson's Executors*, 27 N. J. Eq. 164.
Wedderburn v. *Wedderburn*, 2 Kean., 722.
Gillett v. *Peppercorne*, 3 Beav., 78.
York & Midland R. R. Co. v. *Hudson*, 16 Beav., 485.
Bently v. *Craven*, 18 Beav., 75.
Kimben v. *Burlen*, L. R. 8 Ch. App., 56.
Parker v. *Nickerson*, 112, Mass., 195.

142-144 The defense of Statute of Limitations ought not apply to the case at bar.

Revised Statues, Illinois, Chap. 83, § 16.
Story's Eq., § 1520 (a) et seq.
Hill on Trustees, *264, et seq.
Perry on Trusts, § 863, et seq.
Provost v. *Gratz*, 6 Wheat., 481.
Lewis v. *Hawkins*, 23, Wall., 119.
Riddle v. *Whitehall*, 135 U. S., 621.
Gisbsorn v. *Charter Oak Ins. Co.*, 142 U. S., 326.
Oliver v. *Piatt*, 3 How., 333.
Speidel v. *Henrici*, 120 U. S., 377.
Michoud v. *Girod*, 4 How., 561.
Kirby v. *Lake Shore & M. S. R. R. Co.*, 120 U. S. 130.
Kilbourn v. *Sunderland*, 130 U. S., 505.

Hoyt v. *Latham*, 143 U. S., 553.
Charter v. *Trevelyan*, 11 Clk. & F., *740.

145 Appellant's claim is not stale, nor has it been guilty of laches. Laches depend entirely upon the peculiar circumstances of each case.

Godden v. *Kimmel*, 99 U. S., 201.
Brown v. *County of Buena Vista*, 95 U. S., 157.
Bryan v. *Kales*, 134 U. S., 126.
Halsted v. *Grinnan*, 152 U. S., 412.
Harwood v. *R. R. Co.*, 17 Wall., 78.
Griswold v. *Hazard*, 141 U. S., 288.
Hammond v. *Hopkins*, 143 U. S., 224.
Galliher v. *Cadwell*, 145 U. S., 368.

146, 147 The case at bar is not within the principle of laches as laid down in.

Provost v. *Gratz*, 6 Wheat., 481.
Piatt v. *Vattier*, 9 Peters, 405.
Bowman v. *Wathen*, 1 How., 189.
Wagner v. *Baird*, 7 How., 235.
Stearns v. *Page*, 7 How., 820.
Kennedy v. *Bank of the State of Georgia*, 8 How., 586.
Moore v. *Green*, 19 How., 69.
Beaubien v. *Beaubien*, 23 How., 190.
Harkness v. *Underhill*, 1 Black, 316.
Badger v. *Badger*, 2 Wall., 87.
Harwood v. *R. R. Co.*, 17 Wall., 78.
Marsh v. *Whitmore*, 21 Wall., 178.
Twin Lick Oil Co., v. *Marbury*, 91 U. S., 587.
Sullivan v. *Kennebec R. R. Co.*, 94 U. S., 806.
Godden v. *Kimmel*, 99 U. S. 201.
Landsdale v. *Smith*, 106 U. S., 391.
Hayward v. *Eliot Nat'l Bank*, 96, U. S., 611.
De Wolf v. *Hays*, 125 U. S., 614.
Hoffman v. *Overbey*, 137 U. S. 465.
Underwood v. *Dugan*, 139 U. S.
Hoyt v. *Latham*, 143 U. S., 553.
Hammond v. *Hopkins*, 143 U. S., 224.
Felix v. *Patrick*, 145 U. S., 317.

Galliher v. *Cadwell*, 145 U. S., 368.
Foster v. *Manfild Etc. R. R. Co.*, 146 U. S., 88.
Johnston v. *Standard Mining Co.*, 148 U. S., 360.
Halsted v. *Grinnan*, 152 U. S., 416.

147–151 The doctrine of laches as enforced in equity is founded upon some change in the condition or relations of the property or persons.

Galliher v. *Cadwell*, 145 U. S., 368.
McKnight v. *Taylor*, 1 How., 161.
Allore v. *Jewell*, 94 U. S., 506.
Wallaston v. *Tribe*, L. R. 9 Eq., 44.
Nudd v. *Powers*, 136 Mass., 273.
Menendez v. *Holt*, 126 U. S., 514.
Fullwood v. *Fullwood*, L. R. 9 Ch. D. 176.
Rogers v. *Rogers*, 3 De. Gex. M. & G. 614.
Provost v. *Gratz*, 6 Wheat., 481.
Aylett v. *King*, 11 Leigh., 486.
Michoud v. *Girod*, 4 How., 503.
Archibold v. *Scully*, 9 H. L. 388.
Twin Lick Oil Co. v. *Marbury*, 91 U. S., 587.
Johnston v. *Standard Mining Co.*, 148 U. S., 360.

152, 153 A release when pleaded in equity should be accompanied by an answer setting up in detail the facts upon which such release was obtained, that the court may see by inspection whether or not the consideration was fair and reasonable.

Story's Eq. Pl., §§ 649, 797.
Rule 32 Equity Rules U. S. Courts.
Salkeld v. *Science*, 2 Ves., 107.
Parker v. *Alcock*, 1 Y. & Jer., 432.
Roche v. *Morgell*, 2 Sch. & Lefr., 725.
Brooks v. *Sullivan*, L. R. 5 Eq. Cas., 364.
Bolton v. *Gardner*, 3 Paige, 273.

155 It was not necessary in this cause, in the first instance, to aver in the bill of complaint when the full knowledge of facts upon which the release is sought to be set aside, was first learned.
1 Daniel's Ch. Pr., p. 381.

156 The release being offered in evidence by appellee as a defense

under the original Bill, and testimony being taken on that theory, appellee is estopped now from raising such defense.

Brown v. *Lake Superior Iron Co.*, 134 U. S., 534.
Wasatch Mining Co. v. *Cresent Mining Co.* 148 U. S., 293.

157 The release being in the record and the whole evidence being before the Court, the Court will look into the record to see what degree of weight should be attached to the release.

Kelsey v. *Hobby*, 16 Peters, 289.

159, 160 Parties in making this contract did not make the contract as strangers standing at arms-length.

Perry on Trusts, § 179.
Diller v. *Brubaker*, 52 Pa. St., 505.
Krohn v. *Williamson*, 62 F. R., 869.

161 Appellant could rely upon the statements of appellee without inquiring elsewhere for information.

Kilbourn v. *Sunderland*, 130 U. S., 505.

The settlement made July 27th, 1881, did not acquire the force of an account stated.

Talcott v. *Chew*, 27 F. R., 273.
Hagar v. *Thompson*, 1 Black, 80.
Oil Co. v. *Van Etten*, 107 U. S., 325.
Bank v. *Morgan*, 117 U. S., 96.

162 The monthly receipts given for royalty should not be considered binding upon appellant under the principle of *Bank* v. *Morgan*, 117 U. S., 96, for the reason that the relation between a Bank and a depositor is simply that of debtor and creditor.

Phœnix Bank v. *Risley*, 111 U. S., 125.
Wetherell v. *O'Brien*, 140 Ill., 146.

163, 164 Appellee and appellant having fixed the measure of damages for infringements of the Kelly patents, at the price mentioned in the contract, that price will be taken as the measure of damages for past infringements.

Seymour v. *McCormick*, 16 How., 480.
Corporation of New York v. *Ranson*, 28 How., 487.
Packet Co. v. *Sickles*, 19 Wall., 611.
Birdsall v. *Coolidge*, 93 U. S., 64.

Root v. *Railway*, 105 U. S., 197.
Rude v. *Wescott*, 130 U. S., 152.
Cornely v. *Marckwald*, 131 U. S., 159.

164 The Court having acquired jurisdiction for some purposes, will retain jurisdiction and grant any relief for which a basis is laid in the Bill.

1 Daniels Ch. Pr., 378.
Story's Eq. Pl., §§ 41, 42.
English v. *Foxall*, 2 Pet., 612.
Watts v. *Waddelle*, 6 Pet., 389.
Waden v. *Bodley*, 14 Pet., 156.
Taloe v. *Ins. Co.*, 9 How., 405.
Root v. *Railroad Co.*, 105 U. S., 189.

187 The paper executed by appellant being clear and unambiguous in its terms it cannot be extended by any recital.

Expressio unius est exclusio alterius.

Union Mutual Life Ins. Co. v. *Mowry*, 96 U. S., 544.
Maryland v. *Baltimore & Ohio R. R. Co.*, 22 Wall., 105.
Hale v. *Finch*, 104 U. S., 261.

189 Although the Court will look at the surrounding circumstances of the subject matter to ascertain the sense in which the parties may have used particular terms, but not to alter or modify the plain language which they have used.

Brawley v. *United States*, 96 U. S., 173.

189 The Court will not add an additional covenant to the contract.

Expressum facit cessare tacitum.

Chitty on Contracts, 23.
Phelps v. *Sheldon*, 13 Pick., 50.
Waite v. *Merrill*, 4 Greenleaf, 102.
Stockett v. *Watkins*, 2 G. & J., 325.
Booth v. *Cleveland Rolling Mill Co.*, 74 N. Y., 15.
Hudson Canal Co. v. *Penn. Coal Co.*, 8 Wall., 276.

197 Appellee having drawn the release to carry out representations made by it to appellant by reason of which it executed the paper. the words in the recital should be construed as the statement of appellee.

Stronghill v. *Buck*, 19 L. J. Q. B., 209.
Hays v. *Askew*, 5 Jones, (N. C.) 63.

199 No estoppel can arise against appellant by reason of its release of Haish's royalty, because such paper was executed upon representations made to it by appellee. It not being appellant's duty to speak.

Bringard v. *Steelwagen*, 41 Mich., 54.

199 Mere silence on appellant's part was not sufficient.

Bigelow on Estoppel, p. 575 (4th Ed.)
American Ency. Law, vol. 7, pp. 13 to 33.
Railroad v. *Dubois*, 12 Wall., 59.
Ketchem v. *Duncan*, 96 U. S., 659.
Brandt v. *The Virginia Coal & Iron Co.*, 93 U. S., 326.
Hobbs v. *McLean*, 117 U. S., 567.
Jewett v. *Miller*, 10 N. Y., 402.
Taylor v. *Ely*, 25 Conn., 250.

202 Appellant must have done some act which induced appellee to change its course.

Bigelow on Estoppel. 555.
Jones v. *United States*, 96 U. S., 29.

203 It having become burdensome on appellee to carry out the terms of its contract by reason of its own act, is not sufficient why appellant should not be granted the relief to which it is entitled.

Marble Co. v. *Ripley*, 10 Wall., 356.

209 Appellant is not bound by the suit of the *Chicago Galvanized Wire Fence Co.* v. *Appellee*, because it was not made a party defendant to that suit, or vouched in.

Daniel's Ch. Pr., vol. 1, p. 281.

209 It is well settled that where a person is neither a party to a suit, or is not notified to appear and permitted to cross-examine. appeal, or sue out a writ of error, he is not bound.

Brooklyn R. R. Co. v. *Nat'l Bank of Republic*, 102 U. S., 14.
Hale v. *Finch*, 104 U. S., 261.
Bigelow on Estoppel. (4th Ed.) 124.

209 The fact that Calkins was a witness in the Galvanized Wire Fence Co's suit is not sufficient notice to appellant.

Parker v. *Moore*, 59 N. H., 454.
Lebanon v. *Mead*, 64 N. H., 8.
Blackwood v. *Brown*, 32 Mich., 104.
Bigelow on Estoppel. (4th Ed.) 128.

210 That case was decided upon verbal agreements made by appellee, to which appellant was not a party and therefore not binding on it.

Greenleaf on Ev., § 532.
Cromwell v. *County of Sac*, 94 U. S., 351.

210 Appellant and appellee's interests were entirely distinct and separate in that suit.

Litchfield v. *Goodnow*, 123 U. S., 549.

216, 217 All moneys sought to be recovered against appellant under appellee's cross-bill were for moneys paid with full knowledge of all facts and were paid under a mistake of law which is not sufficient to entitle it to recover.

Kerr on Fraud, 401.
Pomeroy's Eq., § 851.
Story's Eq., § 138.
Clark v. *Dutcher*, 9 Cowen, 674.
Elliott v. *Swartwout*, 10 Peters, 153.
Bank of the United States v. *Daniel*, 12 Pet., 32.
Milwaukee & Minnesota Railroad Co. v. *Soutter*, 13 Wall., 517.

224 Ellwood having the same interest in these royalties sought to be recovered under the cross-bill, should have been made a party complainant.

Daniel's Ch. Pr., 715.

232 Appellee is estopped from stating that the Kelly patents were "dead" patents after making the amendment of June 12, 1883.

Pope Mfg. Co. v. *Owsley*, 27 F. R., 108.

234 The stockholders and officers of the various infringing companies, with whom appellee settled, were liable personally for damages for infringement upon appellant's patents.

Goodyear v. *Phelps*, 3 Blatch., 91.

Poppenhusen v. *Falke*, 4 Blatch., 495.
Nat'l Car Brake Shoe Co. v. *Terre Haute Mfg. Co.*, 19 F. R., 514.
Iowa Barb Steel Wire Co. v. *Barbed Wire Co.*, 30 F. R., 123.
Cahonne Barnett Mfg. Co. v. *Rubber & Celluloid Harness Co.*, 45 F. R., 582.

241–243 Appellee having taken notes in payment of royalty in lieu of cash was liable to appellant therefor.

Voorhies v. *Atler*, 29 Iowa, 49.
Hoffman v. *Bechtel*, 52 Pa. St., 190.
Rhodes v. *Seymour*, 36 Conn., 1.
Hoard v. *Garner*, 10 N. Y., 261.
Ward v. *Smith*, 7 Wall., 452.
Story on Agency, §§ 98, 99.
Meecham on Agency, § 375.

247 Information acquired by Stiles & Calkins did not bind appellant, unless they communicated such information to the other officers of appellant company.

Morawetz on Cor., § 540 a.
Farmers' Bank v. *Payne*, 25 Conn., 444.
Farwell Foundry Co. v. *Dart*, 26 Conn., 376.
Gen. Ins. Co. v. *U. S. Ins. Co.*, 10 Md., 517.
First Nat'l Bank v. *Christopher*, 40 N. J., L. 435.
Stanton v. *Berg.*, 26 Mich., 44.
DeKay v. *Hackensack Co.*, 38 N. J. Eq., 158.
Powles v. *Page*, 3 C. B., 16.
In re Marseilles Ry. Co., 7 Ch. App., 161.
In re Ebbv. Vale Co., L. R., 8 Eq., 14.

254. 255 Acts done and admissions made by Aaron K. Stiles and John W. Calkins, when not acting on behalf of appellant, are not binding upon it.

Taylor on Cor., §§ 210, 236, 641.
Cook on Stockholders, § 726.
Morawetz on Cor., § 528.
Penn. R. R. Co. Appeal., 80 Pa. St., 265.
In re Marseilles Extension R. R. Co., 20 W. R., 254?
DeKay v. *Hackensack Water Co.*, 38 N. J. Eq., 158.
Beach on Private Cor., §§ 323, 383, 384.

266–269 Appellee having covenanted to enter upon the manufacture of barb fence wire under the Kelly patents, and not having been evicted from the use thereof, is estopped from saying that the Brinkerhoff barb wire was not made under such contract.

Rawle on Cov. of Title., 144.
Bigelow on Estoppel, pp. 494, 495.
Curtis on Patents, §200.
Agnew on Patents, p. 237.
Magic Ruffle Co. v. *Elm City Co.*, 13 Blatch., 158.
Covell v. *Bostwick*, 39 F. R. 420.
Eureka Clothes Wringing Machine Co. v. *The Bailey Washing & Wringing Machine Co.*, 11 Wall., 488.
Kinsman v. *Parkhurst*, 18 How., 289.
George v. *Tate*, 102 U. S., 564.
Nooman v. *Lee*, 2 Black, 499.
Marston v. *Sweet*, 82 N. Y., 528.
Lawes v. *Purser*, 38 L. Eq., 48.
White v. *Lee*, 14 F. R., 792.
McKay v. *Jackman*, 17 F. R., 642.
Baird v. *Neilson*, 8 Cl. & Fin., 726.
Nolon v. *Brooks*, 7 Hurl. & Nor., 499.
Wilder v. *Adams*, 2 Wood. & M., 329.
Bartlett v. *Holbrook*, 1 Gray, 118.
Jones v. *Burnham*, 67 Maine, 93.
Marsh v. *Harris Mfg Co.*, 63 Wis., 276.
Natl. Rubber Co. v. *Boston Rubber Shoe Co.*, 41 F. R., 48.
Pratt v. *Wilcox Mfg. Co.*, 64 F. R., 589.

283 The Brinkerhoff barb wire comes within the principle of a mechanical equivalent and embodies no invention.

Merwin on Patentability of Inventions, pp. 63 to 493.
Carter v. *Baker*, 1 Sawyer, 516.
Hicks v. *Kelsey*, 18 Wall., 670.
Hill v. *Wooster*, 132 U. S., 693.
Burt v. *Evory*, 133 U. S., 349.
Hotchkiss v. *Greenwood*, 11 How., 248.

284 The use of mere ordinary skill in changing the form is not an invention.

Smith v. *Nichols*, 21 Wall., 112.
Pearce v. *Mulford*, 102 U. S. 112.
Slawson v. *R. R. Co.*, 107 U. S., 649.
Munson v. *Mayor, etc.*,124 U. S., 601.
Burt v. *Evory*, 133 U. S., 349.
Watson v. *R. R. Co.*, 132 U. S., 161.
St. Germain v. *Brunswick*, 135 U. S., 227.
Ansonia Brass & Copper Co. v. *Electrical Supply Co.* 144 U. S., 11.
Hoyt v. *Horne*, 145 U. S., 302.
Knapp v. *Morss*, 150 U. S., 221.
Woolensack v. *Sargent*, 151 U. S., 221.

IV

ARGUMENT.

FIRST, SECOND AND THIRD ERRORS.

These errors depend upon the same facts, and involve the largest amount in controversy. We shall argue them together.

The matters involved cover a period commencing July 3, 1876, extending beyond the time of the commencement of this suit, and cover a series of transactions, full knowledge of which was contained solely within the breast of appellee, upon whose representations, good faith and fair dealing appellant relied entirely.

We regret, exceedingly, that the Court below neglected to write an opinion, which if it had so done, would have relieved this Court from the great burden of examining a large record.

Notwithstanding the voluminous record, we think the case can be presented within comparatively narrow limits, confining ourselves mostly to contemporaneous writings, and not depending, greatly, upon the treacherous memory of witnesses; and so grouping matters to present the case fairly and fully without needless repetition.

Before discussing the assignments of error we call the attention of the Court to certain issues under the Pleadings.

Appellee's counsel took the testimony, and we assume will argue here, as below, upon the theory that the entire barb wire business was a joint adventure between appellant and appellee. No such issue is made by the pleadings.

Washburn says, that the negotiations and arrangement made between appellee and appellant were entirely separate, distinct from and no way connected with the contracts or negotiations with Putnam, Glidden, Ellwood, or Kennedy. (R. 480).

In *First Nat'l Bank* v. *Hall*, 101 U. S., 43, Mr. Justice SWAYNE says:

"In making a contract *parties are as important an element*, as the terms with reference to the subject matter. Mutual assent as to both are necessary."

The rule is elementary, that "the original parties to a contract must be persons ascertained at the time when the contract is made." *Pollock on Contracts*, p. 172.

You can't import Putnam, Glidden, Ellwood or Kennedy in appellant's contracts. *Electio personae* was a right which appellant exercised in making its contract with appellee alone. Appellant had no contract with Putnam, Glidden, Ellwood or Kennedy. Appellee's contracts with Putnam, Glidden, Ellwood and Kennedy were and are a matter of no concern of appellant. Such contracts are in writing, are not in evidence and are not involved in this case.

Washburn testifies, "Undoubtedly every agreement between (appellant and appellee * * *) is in writing. It was our purpose at any rate that every specific agreement covering just what and how moneys were to pass between the two companies (appellant and appellee) should be in writing." (R. 469.) Calkins testifies, that all contracts between appellant and appellee are in writing and *in evidence*. (R. 159.) The bill alleges and the answer admits, that the contracts set out were in force during their entire term.

The contracts which this Court is called upon to construe are in writing, under seal, and set forth *verbatim* in the pleadings. From such contracts, alone, the duties and obligations of the parties are to be determined.

Courts of equity, like courts of law, construe contracts as the parties themselves make them. They do not make new contracts for parties.

Waterman v. *Banks*, 144 U. S., 401.

Says Mr. Justice BRADLEY in *Dean* v. *Nelson*, 10 Wall., 158, speaking of an executed contract,

"The Court has no power over the transaction to make it other than or different from what the parties themselves made it."

An inspection of the contract in evidence shows, that there is not a shadow upon which to connect or associate appellant jointly in the barb wire business with appellee, or any other person. Appellee

owning patents had the right to use them in such manner as it chose. This is not controverted. What appellant may have contemplated doing, prior to the execution of the contract, of July 3, 1876, can not control the effect of the written contract, deliberately and formally entered into. That contract merged all former negotiations. This is elementary.

"When parties have deliberately put their engagements into writing, in such terms as to import a legal obligation, without any uncertainty as to the object or extent of such engagement, it is conclusively presumed that the whole engagement of the parties, and the extent and manner of their undertaking, was reduced to writing; and all oral testimony of a previous *colloquium* between the parties or of conversation or declarations at the time when it was completed, or afterwards, as it would tend in many instances to substitute a new and different contract for the one which was really agreed upon, to the prejudice of one of the parties, is rejected." § 275, Vol. 1 Greenleaf on Ev.

Taylor on Ev., §§ 1035, 1046.
Anson on Contracts, 226.
Philadelphia R. R. Co. v. *Howard*, 13 How. 307.
Emerson v. *Slater*, 22 How., 28.
Oelricks v. *Ford*, 23 How., 49.
Ruffner v. *Hogg*, 1 Black, 115.
Specht v. *Howard*, 16 Wall., 564.
Gavinzel v. *Crump*, 22 Wall., 308.
Forsythe v. *Kimball*, 91 U. S., 291.
Brown v. *Spafford*, 95 U. S., 474.
Ins. Co. v. *Mowry*, 96 U. S., 547.
Bast v. *First National Bank of Ashland*, 101 U. S., 93.
Thompson v. *Ins. Co.*, 104 U. S., 259.
Potomac Steamboat Co. v. *Upper Potomac Steamboat Co.*, 109 U. S. 672.
Van Winkle v. *Crowell*, 146 U. S., 42.

No attempt is made in the answer to add to or vary the covenants contained in the contract.

There is no allegation in appellee's answer which refers to any contract with, or mentions the names of Glidden, Hunt, Smith, Kennedy, Putnam; nor is there any averment or intimation that appel-

lant was in any manner connected with or its rights dependent upon the performonce of any contract with any other party.

There is no issue raised in the pleading as to the contracts between appellee and third parties. It is an elementary rule in chancery that evidence to be considered by the court, even if it appears in the record, must relate to some issue made in the pleadings.

In *Crockett* v. *Lee*, 7 Wheat., 522,

Mr. Chief Justice MARSHALL, says: "The hardships of a particular case would not justify this tribunal in prostrating the fundamental rules of the Court of Chancery — rules which have been established for ages on the soundest and clearest principles of general utility. If the pleadings in the case were to give no notice to the parties or to the court of the material facts on which the right asserted were to depend; no notice of the points to which the testimony was to be directed, and to which it was to be limited; if a new case might be made out in proof different from that stated in the pleadings, all will perceive the confusion and uncertainty which would attend legal proceedings, and the injustice which must frequently take place."

Harrison v. *Dixon*, 9 Pet., 483.

It is true this was said in reference to allegations of a bill. The same principle applies to answers.

In *Daniel's Chancery Practice*, at page 712, it is stated, "It is of great importance in preparing an answer to bear in mind, that besides answering the plaintiff's case as made by the bill, he should state to the court, upon the answer all the circumstances of which the defendant intends to avail himself by way of defense of which defendant ought to apprise the plaintiff in his answer of the nature of the case he intends to set up; and that too in a clear, unambiguous manner, and, in strictness, he can not avail himself of any matter in the defense which is not stated in his answer, even though it should appear in his evidence."

"It is a fundamental maxim, both in this Court and Courts of law, that no proof can be admitted of any matter which is not noticed in the pleadings." (Ibid. 852.)

"The same rule applies to answers: and a defendant who has put in an answer, can not, in strictness, avail himself of any matter in his defense, which is not stated in his answer, although it appears in his evidence." (Ibid. 853.)

House Ins. Co. v. *Meyer*, 93 Ill., 271.

Johnson v. *Johnson*, 114 Ill., 611.

In *Pyatt* v. *Vattier*, 9 Peters, 405. Mr. Justice STORY, says: "Evidence to be admissible must be founded on some allegation in the bill and answer."

We, therefore, assume that this cause will not be considered upon evidence and statements put in the record by appellee relating to contracts to which appellant is an utter stranger; which are neither referred to in the pleadings nor in any contract between appellant and appellee; and which contracts are neither in evidence nor in issue in this cause.

For the determination of the matters involved in the first three assignments of error, it will be necessary to fully understand (a), The nature of the contract, of date July 3, 1876; (b), The effect of the supplemental contract of August 7th, 1879; and (c), The matters occurring prior to July 27, 1881.

(a)

THE NATURE OF THE CONTRACT OF JULY 3, 1876.

(1)—*The Construction of the Contract by its Terms.*

Courts construe contracts to carry out the intention of the parties. For that purpose they will look at every matter contained within the "four corners" of the instrument.

The whole of the instrument must be considered, and every part carried out, if possible.

Canal Co. v. *Hill*, 15 Wall, 94.
Heryford v. *Davis*, 102 U. S. 235.
Beardsley, v. *Beardsley*, 138 U. S., 262.

Says Mr. Justice BRADLEY in *Chesapeake & Ohio Canal Co*, v. *Hill* 15 Wall., 94, "To ascertain the substantial intent of the parties is the fundamental rule in the construction of all agreements."

It is stated in *Smith* on *Contracts*, * p. 484:

"It is obvious, that the whole of the agreement is to be considered, the place where it was made; the time when; the object of the parties; the department of science or art, the trade or commerce, to which the

subject matter of it belongs must be regarded, for otherwise the meaning of words which have peculiar acceptances at different times and places, and in relation to different subject matter can not be accurately understood."

Chitty on Contracts, p. 117.
Hendrick v. *Lindsay*, 93 U. S. 143.
U. S. v. *Granite Co.*, 105 U. S., 37.

Under the contract of July 3, 1876, appellee covenanted "to enter upon the manufacture of barb fence wire *under the patents aforesaid* (appellant's) and to use reasonable and diligent efforts to supply the demand for *this article* (barb wire) throughout the country;" and to prosecute infringers (§4); to pay appellee a royalty of ⅝c. per pound upon "all barb fence wire which it should manufacture and sell under said patents, or any of them," or which it should license; (§2), or "for which payment shall be received by appellee;" and, "to keep separate and accurate accounts of the entire product manufactured and sold," and "for any part of said product for which they shall actually receive pay in any form;" and, "to render a statement in writing monthly" therefor, and also to pay appellee ⅝c. per pound "upon all wire upon which (appellee) shall recover from past infringers * * * under any suit or suits which (appellee) may hereafter institute and prosecute to final judgment or which may be settled without judgment by payment of royalty by the defendants." (§8) (R. 4, 5.)

This contract provides for the payment of royalty to appellant, as follows:

(1), §2 provides for payment of royalty on appellee's own product.

(2), §2 also provides for royalty received by appellee from licensees subsequent to the date of license;

(3), §8 provides for the royalty "upon all wire which (appellee) shall recover from past infringers * * * under any suit or suits which (appellee) may hereafter institute and prosecute to final judgment."

(4), §8 also provides for the payment of royalty upon all wire "which may be settled (by appellee) without judgment by payment of royalty."

(5), §3 provides for the payment of royalty upon "*said product* (barb wire) for which (appellee) shall actually receive pay in any form."

(6), § 8 provides also for payment of royalty on all the *product* of I. L. Ellwood & Co. and Glidden and Ellwood subsequent to the date of the re-issued patents.

These six varieties cover every possible contingency under which royalty could become due appellant from appellee. And appellee did pay royalty on all the wire manufactured by every then known maker of barb wire, and in each such contingency.

The Court will look into the surrounding circumstances existing at the time of the execution of a contract, to ascertain the intention of the parties so as to aid in its interpretation.

Thorington v. *Smith*, 8 Wall., 1.
Maryland v. *R. R. Co.*, 22 Wall., 105.
Reed v. *Insurance Co.*, 95 U. S., 23.
United States v. *Peck* 102 U. S., Rep., 64, and cases cited.
Merriam v. *United States*, 107 U. S., Rep. 437.

Mr. Justice CLIFFORD in *Goddard* v. *Foster*, 17 Wall., 123, says:

"Courts of justice" should "acquaint themselves with the persons and circumstances that are the subjects of the statements and are entitled to place themselves in the same situation as the parties who made the contract so as to view the circumsances as they viewed them and so to judge the meaning of the words and of the correct application of the language to the things described."

"The best and surest mode of expounding an instrument is by referring to the time when, and circumstances under which, it was made." *Broom's Legal Maxims*, *654.

The evidence shows that the only manufacturers of barb wire when this contract was made, outside appellant, were appellee, Glidden, Ellwood, Kennedy, H. B. Scutt and Jacob Haish (R. 80, 91.) And appellee did pay appellant royalty upon the entire product of all these parties or procured from appellant a written release therefrom.

Appellee not only covenanted to pay all such royalty, but under § 4 it further covenanted "to enter upon the manufacture of barbed fence wire under the patents aforesaid (Kelly's) * * * and to supply the demand for *this article* throughout the country." It was appellee's

duty to manufacture under the Kelly patents and not under patent hostile to them. It does not contend that it did not manufacture barb fence wire under the Kelly patents. It licensed each manufacturer specifically under the Kelly patents (R. 359.) And it was appellee's intention as shown in its subsequent conduct, that this covenant required it to pay royalty on all barb wire "for which it received pay in any form," whether such wire was made under or without a license.

When appellee covenanted to enter into the manufacture of barb wire under the Kelly patents, and "to supply the demand of *this article*" throughout the country, it was not intended that appellee should manufacture the specific style of wire shown in the Kelly patents, but only the product, i. e., the "article" known as barb wire. Why else covenant to manufacture and "supply the demand for this article" by itself or licensees when neither appellee nor any of its licensees ever made a pound of the Kelly style of wire, but did manufacture, license or sell upwards of 600 million pounds of hundreds of other different styles of barb wire, on which it paid appellee royalty. (Ex. A. 6. R. 405.) No person aside from appellant made the specific style of wire shown under the Kelly patent. (R. 92.)

Why should appellant agree to reduce its royalty to 15c. in the contract of August 7, 1879, "for the purpose of increasing the manufacture of barbed fence wire mentioned in said contracts and *license*," unless it was intended that all wire thereafter made was to be included in such contract.

The barb wire "mentioned in said (appellant's) license" was specifically limited to the Kelly patents. (R. 176.) But every licensee paid royalty on its product to appellee under his license granted under the Kelly patents, none of which were the identical Kelly style of wire.

In the release of July 27, 1881, under which appellee seeks to prevent the recovery by appellant for money collected for infringements of the Kelly patents committed by licensees prior to January 1, 1881, it is recited as follows:

"Furthermore, in the * * * existing agreements between the parties bearing date July 3, 1876, December 2, 1878, and August 7, 1879, * * * *providing for the payment* of 15c. by (appellee) to (appellant) as consideration money for the Kelly patents, *upon every*

100 *pounds of* (the article known as) *barbed fence wire* manufactured and sold by it or its licensees, *or by its authority.*" (R. 34.)

This is a studied admission that appellee's contract did provide for payment of royalty upon all wire sold under *its authority, at any time.*

There can be no doubt that it is the plain meaning of these contracts to include every pound of barb wire made by appellee or its licencees for which appellee "*received pay in any form.*"

In *Ball & Sockett Fastening Co.* v. *Ball Glove Fastener Co.*, 7 C. C. App. 498 (S. C. 58 F. R., 818.) parties litigating over certain patents relating to glove fasteners, made a contract reciting in such contract that they were "desirous of adjusting their controversies, and of making a business arrangement" for the manufacture of glove fasteners, for their "common advantage"; second party also giving first party an exclusive license under its patents. for the life of the patents: first party agreeing to render accounts to second party once in six months, and to pay second party the agreed rate of royalty.

The court (Judge PUTNAM) said, "We find, then, an arrangement by which, for a period of years, the complainant below unreservedly intrusted itself, its interests and property related to the subject-matter of this suit, to the hands of the respondent below; and the latter undertook to carry on the resultant enterprise for the common interest. Perhaps this did not create a trust, in the technical sense of the word; but it did create a joint interest, *an agency, and fiduciary relation, with all the duties resting on the respondent which the word "fiduciary" implies.* The adjustment and protection of rights and interests growing out of such joint and fiduciary relations are the peculiar privileges of equity jurisprudence, by the consent of all the authorities." * * *

"It must be admitted that a contract of this character, establishing fiduciary relations ,*must be liberally construed* to maintain its purpose. secure good faith in its execution and prevent unjust evasions."

The case at bar is a much stronger case. Appellant intrusted itself. its interests and property wholly to the hands of appellee.

If there be any doubt as to the meaning of the contract and it will bear the construction contended for by appellant. the contract should be construed in favor of appellant.

The original contract, each supplemental contract and every contract mentioned in the pleadings were drawn by appellee's counsel. Dodge. (R. 81. 83. 280)

In *Noonan* v. *Bradly*, 9 Wall., 394, Mr. Justice FIELD says:

"A party who takes an agreement prepared by another, and upon its faith incurs obligations, or parts with his property, should have a construction given to the instrument favorable to him."

See also, *First Nat'l Bank*, v. *Hartford Ins. Co.*, 95 U. S., 673.

None of the amendments or supplemental contracts subsequent to July 3, 1876, in any way affected or modified the covenants relating to the wire on which royalty was to be paid to appellant.

Stiles and Calkins both testify, that in making the original contract it was distinctly understood that appellee would pay appellant upon all barb wire for which appellee should thereafter receive royalty whether such wire was made previous to or subsequent to the contract of July 3, 1876. (R. 92, 93.) Washburn does not deny this. When appellant parted with its title to its patent properties and all claims for past infringements thereon, appellee knew that appellant accepted the contract upon such understanding.

Mr. Chancellor KENT says: "The true principle of sound ethics is, to give the contract the sense in which the person making the promise believed the other party to have accepted it, if he, in fact, did so understand and accept it." (2 Kent. * 557.)

This Court should construe the contract in the sense in which appellee knew appellant understood and accepted it.

In § 1, of the contract of July 3, 1876, it is stipulated that appellant had "become possessed of the entire and exclusive ownership of each of the 'Kelly' re-issued patents, * * * and of the inventions therein described and set forth," and that appellant did "by assignment duly executed, of even date therewith, sell, assign, transfer and set over unto(appellee) * * * *the entire and exclusive interest* in the several letters patent aforesaid, *for the entire territory* covered by the grant thereof;" § 7, recites that appellant did "sell, transfer and assign all and every interest which they had in and *all claims for damages and profits for past infringements*" for said letters patent.

These assignments gave appellee the entire legal and equitable title to said patents, as well as all claims of every nature which had theretofore accrued or should thereafter arise out of, through or under them.

After the execution of this contract and the assignment, for past infringements, appellant could institute no suit to enjoin infringe-

ments of the patents, or to recover for damages sustained prior or subsequent to that date. Hence the provision that appellee should use due diligence in prosecuting infringers and that appellee should pay the agreed royalty on account of past infringements which they might recover in the suits thereafter prosecuted, whether final judgment should enter the same, or whether the same be settled without judgment. (§ 8.)

Appellee alone could and did institute suits to recover damages for infringements to said patents committed thereafter and alone settled the same, in many cases "without judgment by payment of royalty." Appellee thereupon became a trustee in equity, and it became its duty to account to appellant for the "percentage of sales," covenanted to be paid.

Tilghman v. *Procter*, 125 U. S. 136.
Rude v. *Wescott*, 130 U. S., 152.

Appellant having parted with its title to these Letters Patent and appellee having aquired the entire legal and equitable interest for the full term of these patents, the inference is, that appellee was to pay for their entire use for their entire term. For the full term for which appellee should receive the benefit of the royalty "in any form."

Contracts include whatever is fairly implied.

Jones on Construction of Contracts, § 226.

Says Mr. Justice CLIFFORD construing a charter party, in *Donohue* v. *Kettel*, 1 Clifford 144,

"Everything contained in a written instrument by implication is with as much a part of the instrument as if it written out in words."

To permit appellee to receive and retain pay for royalty upon wire sold prior to its issuing a license, would enable appellee to violate its covenant to pay royalty upon all wire "for which (it) shall receive pay in any form."

This is not the wording of the contract.

It seems to us that within "the four corners" of the contract it is clear that appellee contracted to pay appellant royalty upon all barb wire made or licensed by it, "or for which it received pay in any form," whether money, property or other valuable thing.

(2)—*The Construction of the Contract by the Parties.*

If there be any doubt, as to its meaning, the construction put upon the contract by the parties themselves show that they understood that appellee covenanted to pay royalty upon all barb wire made or licensed by it, or for which it received pay, and the contract should be so construed.

The best criterion in arriving at the intention of parties to a contract, if there be any doubt as to the meaning of its terms, is the construction that they themselves have placed upon it by their own acts.

Bishop on Contracts, § 412.

Says Mr. Justice NELSON, in *Chicago* v. *Sheldon*, 9 Wall., 50: "In cases where language used by the parties to the contract is indefinite or ambiguous, and hence of doubtful construction, the practical interpretation by the parties themselves is entitled to great, if not controlling, influence. The interest of each generally leads him to a construction most favorable to himself."

Says Mr. Justice STRONG, in *Steinbach* v. *Stewart*, 11 Wall., 576: "This is an aid that may always be called in when the meaning of a contract is ambiguous."

Lowber v. *Bangs*, 2 Wall., 728.
Topliff v. *Topliff*, 122 U. S., Rep., 121.
R. R. v. *Trimble*, 10 Wall., 367.
District of Columbia, v. *Gallaher*, 124 U. S., 505.

The parties entered into a preliminary contract on June 29th, 1876, which referred to certain memoranda reduced to writing by appellee's counsel Dodge, but not signed, containing the terms of their contract. (R. 173.) This memoranda was handed to appellee. Notice was served on appellee to produce this memoranda on the hearing below. It was not produced. Stiles and Calkins both testify, that in the original memoranda of contract it stipulated that appellee should pay it a royalty upon all barb wire theretofore made by appellee and Ellwood, and upon all barb wire thereafter to be made by them, or their licensees, or for which appellee should collect damages by suits or receive money or property in settlements with infringers. They also testify that in drawing the num-

erous papers dated July 3, 1876, there was no intention to change the terms of the preliminary agreement of June 29, but simply as there stated, "to carry out in good faith * * * all the agreements therein referred to." (R. 82, 241.) These statements are nowhere denied.

We do not seek relief under the contract of June 29th, and we recognize the doctrine that all prior negotiations became merged in the writing of July 3, 1876. Still we claim that if there is any doubt as to its meaning, there being no intention of the parties to change the terms of the preliminary contract of June 29th, but simply to formally shape the papers agreed upon; if the contract of July 3, 1876. and subsequent modifications will bear the construction contended by appellant as stated in the preliminary contract of June 29th, that construction should be followed by the court.

Bank of Columbia v. *Paterson's Adm.*, 7 Cranch, 299.

Citing:

Pepper v. *Burland*, Peake's Rep., 103.

The preliminary contract of June 29, 1876, was made use of by the parties in November, 1878, in construing the contract of July 3, 1876. Appellee refused to pay royalty upon wire made and sold by Glidden and Ellwood and I. L. Ellwood subsequent to the date of the reissue of the Kelly patents and prior to May 20th, the date of the contract between Ellwood and Washburn. Which action then threatened litigation between appellant and appellee. (R. 181.)

Stiles wrote appellee November 21, 1877, that if the contract of July 3, was not clear on that point, "I can make it more clear to you by calling your attention to our conversation when I was at Worcester in June '76, when you agreed that the G. & E. Royalty should be paid and was so inserted in plain terms in the agreement made by and between us, a copy of which you have (see agreement June 29th. 5th clause.)" (R. 604.)

Appellee accepted this explanation of Stiles, and on November 24. 1877, Washburn wrote:

"Our mutual contract of July 3, 1876, as regards the payment of royalties, contemplates two separate and distinct kinds of royalties. which are to be paid in two separate and distinct ways."

"1st: Under the former head come *the royalties on barbed wire*

which we shall make or cause to be made, or shall license to be made, and for which we shall receive pay, i. e., from and after July 3. and during the life of the patents. (See Article 2.)

"2nd: The latter class of royalties is made up of two parts. (See Article 8.)

"1st: The royalties on the barbed wire fencing made by Glidden and Ellwood and I. L. Ellwood & Co., previous to July 3, 1876; and

"2nd: The same royalty "per pound *on what we shall recover from past infringers of said reissue patents, etc.*"

"The first class of royalties referred to is to be paid as indicated in Article 3. (See contract.)

"The second class of royalties above referred to is to be *paid*, and to be paid *some time*, and to be paid *by us*, but is not to be paid by us necessarily *to-day* or *to-morrow* or any other *definite time* and all that we are bound to do under the contract is to collect of Glidden and Ellwood, and from I. L. Ellwood & Co, *and from all these parties against whom we have instituted suits, the royalties due you, and to transmit them to you as soon as we conveniently can, after they have been so collected.*" (R. 180.)

This letter covers all classes of royalty; (1,) royalty on appellee's and Ellwood's licensees sales, (2,) royalty on the sales of the infringers prior to judgment or settlement; and (3,) royalty on such sales after judgment.

When this letter of November 24, 1877, was written there were pending sixteen suits against as many different people at Chicago alone with whom settlements were made and licenses were subsequently issued by appellee. There were other suits also then pending all over the country against infringers. (R. 437.) This letter was written when there was no controversy as to back damages. It was appellee's interest to give the contract the most favorable construction for it. Yet not a single manufacturer or infringer is excepted in this letter in which he admits that appellee was to pay appellant royalty which it shall recover from "past infringers."

Appellee acted upon this interpretation by requesting appellant to release it from claims for back damages against these defendants. In the supplemental contract of December 8, 1878, it procured from appellant releases as to the back damages of Haish and Scutt, as well also as to the Ohio Steel Barb Fence Co., the Joliet Wire Fence Co.,

James Ayers and Alexander C. Decker; and on July 27th 1881 as to J. H. Coon. The last named four defendants were not engaged in the barb wire business on July 3, 1876. Upon the strength of such release appellee immediately granted licenses to the Ohio Steel Barb Fence Co. and to H. B. Scutt.

In January, 1881, suits were pending in the Circuit below against seven infringers. Decrees *had been entered* in these suits in favor of appellee under the Kelly patents, and references taken to the Master to ascertain damages, (R. 286.) and such damages were agreed upon, in each case. Numerous suits against infringers were pending in Massachusetts, Connecticut, New York, Ohio, Pennsylvania, Iowa, Missouri, and other States. (R. 437.)

The defendants generally accepting licenses, upon settlement, these suits were generally abandoned. (R. 315, *598.)

Decrees were entered among others against The Chicago Gal. Wire Fence Co., Lyman Manufacturing Co., Sandwich Enterprise Co., Edwin A. Beers and Stone City Fence Co. These defendants then paid appellee as damages for past infringements the sum of $59,192.98.* (R. 286.)

Appellee also received from these same parties by the transfer of Letters Patent to it and I. L. Ellwood relating to barb wire to the further amount of $11,855.39 being in the nature of an allowance of 10c per 100 pounds upon the wire theretofore manufactured by such licensees. Making an aggregate amount of money, so paid appellee for such past infringements by these five defendants alone, of over $71,000.

The money and patents transferred as to these infringers were in settlement of past damages by reason of such suits being "prosecuted to final judgment."

The money paid appellee by the licensees against whom suits had been pending and abandoned in other states, was money paid appel-

*Chicago Galvanized Wire Fence Co.	$9,913.94	(R. 411.)
Lyman Manufacturing Co.	29,321.44	(R. ")
Sandwich Enterprise Co.	1,744.37	(R. ")
Edwin A. Beers	5,648.54	(R. ")
Stone City Fence Co.	12,564.69	(R. ")
Total	$59,192.98	

lee "under suit," or otherwise, "settled without judgment by the payment of royalty by" the defendants. (§ 8.)

Under § 4 it was appellee's duty to institute suit against infringers. If the Court should now hold that appellant was not entitled to royalty upon wire made by the defendants, in these numerous suits, which were abandoned by appellee, and in which the defendants from Massachusetts to California took license from and paid royalty to appellee upon wire previously made, it would render entirely nugatory § 4, as well as that clause of § 8 which provides for royalty upon all wire which should be settled without judgment by the payment of royalty to appellee, and would deprive appellant of royalty upon the entire product of barb wire from July 3, 1876 to January, 1881, a period of time more than one-half the entire term of its contract with appellee. No such construction can be given to the contract.

The money paid appellee by these parties is royalty, whether it be in settlement of damages prior to the taking of license, or whether it be damages agreed upon as to rate of royalty after the date of the license.

The contract is that appellee will pay royalty upon all wire for which it shall receive pay in any form (§ 2) and that it will pay appellant ⅛c per pound upon all wire upon which appellee shall recover from *past* infringers, in any suit which it shall "prosecute to final judgment, or which may be settled without judgment by the payment of royalty by the defendants" (§ 8). The only way claim could be made by appellee against the infringers who refused to pay was by suit. Appellee covenanted to prosecute such suits "to the end that said patents may be *fully* enforced and sustained." Not only sustained after judgment, but *fully enforced* from the date of their grant. To pay royalty on the product after payment or settlement would be for *a part only ofthe grant.* When settlements were made or judgments entered it was not for *future* royalty. The license then granted governed this. The judgment was for past damages or royalty already accrued and found upon an accounting to be due appellee. When this accounting was had it was for damages under the Kelly patent and "upon all wire "for which appellee should recover on "final judgment" and as to which it covenanted to pay ⅛c per pound "royalty" to appellant. The same was true for damages settled without an account-

ing and without judgment. If this were not so, this part of the eighth section would be nugatory. § 2 provides for *royalty* under license after settlement. § 8 provides for royalty *upon wire not made* under any license, but made by infringers. This construction gives effect to both sections.

Again, in October, 1880, appellant wrote appellee that if the decision in the suits then pending upon the barb wire patents should result in appellee's favor, "we shall insist on your collecting all the damages you can" from the defendants. Appellee did not then deny its duty or liability under its contracts to collect such damages. but wrote in reply:

"Please state, definitely, *if you insist upon our collecting for back damages*, as *if you do insist* upon that, we shall stop right here any further efforts to bring in anti-monopoly and let you undertake to collect past damages on your own account." (R. 503.)

But appellee did not stop "right here."

Under § 3 of the original conract appellee covenanted "to keep separate and accurate accounts of the entire product for which (it) shall actually receive pay in any form." The form of these accounts so kept by appellee is in evidence. (R 414.)

Appellee "kept a statement of the amount of *back damages*, received from its various licensees * * * in the same manner as that in which they kept the royalty account." (R 414)

Under the heading of "Back Damages" in these books is entered the item, "Royalty *due* T. W. H. Co." (R. 413.)

In October. 1880, appellant insisted upon appellee "collecting all the damages you can" from the defendants in these suits. Two months afterwards appellee collected the damages from these same defendants; entered upon its books, as a credit in favor of appellant. on account of these back damages, the sum of at least 15c. per 100 pounds, for every pound of wire upon which it received pay as back damages. (R. 414.)

It commenced to make these entries in its books in favor of appellant in January 1881, and continued to make such entries of moneys due appellant for back damages monthly thereafter until August following. It is true that appellee *intentionally concealed* this fact from

appellant until 1889, when it first appeared upon taking testimony below, but this construction of the contract by appellee can not be gainsaid or explained away. There is no answer to it. Not until appellee's letter of April 25th, 1881, (R. 506.), or until after more than one-half the term of the contract had expired did appellee ever question its duty to account to appellant for all moneys received by it in settlement of back damages.*

Appellee makes no defense that any of the wire made by the parties to whom it issued licenses did not infringe the Kelly patents, but defends as to back damages solely upon the ground that they are not within the contract.

By the strict terms of the contract of the parties, as well as by appellee's construction of the contract, it was its duty to collect royalty upon the "entire product" (barb wire) made before or after license, and pay appellant therefor.

Appellee admits its liability prior to July, 1876. It admits its liability for money collected after any decree shall be entered against an infringer. But it denies its liability in the *interim*. Such construction would enable appellee to bring suits against infringers, and hold such suits in *statu quo* until the termination of appellant's contract, and then make settlements without any decree, and thus escape all liability under its contract. Such is not the contract.

The court should construe the contract between appellant and appellee, so that every part of the contract, if possible, shall stand so as to carry out the intention of the parties. Only upon the construction contended for by appellant can such contract in its entirety be carried out.

*For other acts of appellee showing that it constantly construed the contract to cover all wire manufactured by it, or licensed to be manufactured by others, see *infra, in re* "Brinkerhoff."

(*b*)

WHAT EFFECT OR CONSTRUCTION SHOULD BE GIVEN TO THE SUPPLEMENTAL CONTRACT OF AUGUST 7th, 1879.

I.

Appellee was then under obligation to pay one and three-eighths cents royalty, and was collecting from its licensees a royalty of $1.50 per 100 pounds.

The infringers known as the "Barbed Wire Union" refused to take license at $1.50 royalty, but were willing to take license at 75c. To enable these parties to take license at 75c. appellant agreed to reduce its royalty to 15c.

Appellant had already by its supplemental contract of December 8th, 1878, reduced its royalty from 37½c. to 25c. This reduction of *one-third* of its royalty was, by the terms of that supplemental contract made absolute. (R. 8.) Not so, however is this modification.

The proposed reduction of royalty by appellant under the contract of August 7, 1879, was conditioned, however, upon appellee reducing its royalty. This fact may be shown by parol. Not for the purpose of contradicting the writing, but to show that the contract was not to be in force until the happening of the contingency, mentioned in the contract, to be performed by appellee.

In *Peugh* v. *Davis*, 96 U. S., 332, a suit to declare a deed to be a mortgage, Mr. Justice FIELD says:

"The Court looks beyond the terms of the instrument to the real transaction * * * As the equity upon which the Court acts in such cases arises from the real character of the transaction, any evidence, written or oral, tending to show this is admissible. The rule which excludes parol testimony to contradict or vary a written instrument has reference to the language used by the parties. That can not be qualified or varied from its natural import, but must speak for itself. *The rule does not forbid an inquiry into the object of the parties in executing and receiving the instrument* * * * the object of the parties in such cases will be considered by a court of equity; it constitutes a ground for the exercise of its jurisdiction, which will always be asserted to prevent fraud and oppression and promote justice."

See also:

Bast v. *Bank*, 101 U. S., 93.

Jones on Construction of Contracts, § 157.

That parol evidence may be given in cases similar to the case at bar, was decided in *Ware* v. *Allen*, 128 U. S., 590 (Mr. Justice MILLER), and still later the authorities were reviewed and this question so fully discussed by Mr. Justice HARLAN in *Burke* v. *Dulaney*, 153 U. S., 228, that we refer to those cases without citing further.

The proposed reduction of appellant's royalty to fifteen cents was brought up before its Directors for action. The minutes of this meeting recite that Stiles (as an employee of appellee) stated to the Board: "Mr. Washburn was here and that negotiations were in progress whereby the Barb Wire Union and most of the members of it were disposed to take out licenses, provided, under royalties could be reduced." (R. 222.)

Calkins testifies, Washburn stated "That the members of this Union stated that they would take a license to pay royalty if the license fee were reduced to about one-half. Washburn stated in that conversation what manufacturers would take a license if the royalty were reduced to 75c. It was stated at that conference that nearly all, if not quite all, of the manufacturers, would take a license. They would not pay over 75c. per 100 pounds, and Washburn said he could not license them under present arrangements for less than $1.50. He also stated that Glidden had agreed to reduce his royalty to 10c., and *Putnam would reduce his royalty to* 12½c. and Kennedy would reduce his to 12½c.; and he wanted us to place ours at 12½c. but we refused. Finally we agreed upon 15c. per 100 lbs., *and this arrangement was on the condition that the royalty asked should not exceed* 75c., which was agreed to by Mr. Washburn." (R. 83.)

Stiles says: "The object of that agreement was to enable (appellee) to put the price of their royalties at 75c., so that a large number of these infringers would come in and take licenses * * * It was talked with Mr. Washburn, * * * that if we did this, nearly all of them would come in and take license at 75c. * * * Prior to the execution of the agreement of August 7, 1879, I communicated with these infringers with regard to taking a license and the terms on which they would take a license, with most all of them, and I have talked with them in general and under *instructions* from Washburn & Moen. I was present at one meeting between these infringers and Washburn & Moen, in regard to taking a license; *in fact, I got Mr. Washburn to come here, I think, and have a meeting with the parties composing the Barb Wire Union.* This reduction to seventy-five cents license fee, *was to be made at once* after the signing of this contract." (R. 238.)

Upon these representations being made to appellant, the Board of Directors of appellant authorized the making of an amendment to the contract. The resolution reciting: "That this company, all

things considered, *might reduce the royalty, provided by that means a large proportion of the now infringers would become royalty paying.*" (R. 222.) (In fact, not a single infringer took license or paid royalty until January, 1881, *a year and a half* later).

Accordingly, on August 7, 1879, a second supplemental contract was executed. This recites:

"For the purpose of increasing the manufacture of barbed fence wire mentioned in said agreements * * * and inducing other parties to pay royalties thereon, (appellant) '*will* reduce the amount to be paid to it per pound,' by (appellee) thereafter, under its said agreement to fifteen cents per 100 lbs., and (appellee) 'agrees to reduce the royalty or amount required to be paid to it on account of its ownership of *any patents used* in the manufacture of said wire by it or its licensees who are at present manufacturing and selling barbed fence wire under its authority, or who shall hereafter be so licensed by it, to at least 75c. per 100 lbs. of *said barb fence wire* so manufactured and sold.'" (R. 10.)

This contract of August 7, 1879, does not, as does the *previous* supplemental contract of December 2, 1878, recite: that "*it will and does*" reduce such royalty, $\frac{1}{8}$c. per lb. ("*Hereby reducing* the royalties * * * to $\frac{1}{4}$c. per lb.") Nor does this contract recite, as does the *subsequent* supplemental contract of June 12, 1883, that appellant "*hereby* reduces the royalty." In each of these two *other* supplemental contracts, the time when such reduction shall take effect is definite and fixed. Each of the two *other* contracts are self-operating as to the time of the reduction of royalty.

The covenant of the August 7th contract is, that appellant "*will reduce*" the royalty to 15c. immediately upon appellee's reducing its royalty under *all the barb wire patents* owned by it to 75c. When we recall the fact that the language in each of these contracts was deliberately chosen by the same appellee's counsel, we must believe that it had some intention in using the future tense in this covenant.

The fulfillment by appellee of its covenant to reduce its royalty to 75c. was a condition precedent to its claiming the reduction of 10c. from appellant.

Says Mr. Justice CURTIS in *Railroad Co.* v. *Howard*, 13 How., 307.

The principle is "clear that covenants are to be considered dependent or independent according to the intention of the parties which is to be deduced from the whole instrument."

"Covenants are to be construed, as near as possible, by the obvious intention of the parties, which must be gathered from the whole context of the instrument, interpreted according to the reasonable sense of the word."

Wadlington v. *Hill*, 10 S. & M., (Miss.) 560.
Howland v. *Leach*, 11 Pick., 151.
Platt on Covenants, pp. 72 to 80.

"The intention of the parties is to be sought for and regarded rather than the order of time in which the acts are to be done."

Tomkins v. *Elliot*, 5 Wend., 496.

In the contract before us, appellant covenants that it "will" release to appellee two-fifths of its property rights. The time at which appellant should make such reduction was not agreed upon.

But in the same covenant—*in the same sentence*—appellee "agrees to reduce" its royalty to 75c. The covenants are *mutual*. The contract recites: "It is mutually agreed" that appellant *will* reduce its royalty to 15c., and that appellee *will* reduce its royalty to its licensees, etc. "to at least 75c." The consideration for the reduction of royalty by one was the actual reduction of royalty by the other. They are dependent and indivisible covenants.

Says Mr. Justice STORY in *Hyde et al.* v. *Booraem*, 16 Peters, 178. "Where the *entire fulfillment* of the contract is contemplated by the parties as the basis of the arrangement, the contract is treated as indivisible, and neither party can compel the other to a specific performance, unless he complies with it *in toto*."

See also: *Grant* v. *Johnson*, 5 N. Y., 247.

In *Duke of St. Albans* v. *Shore*. 1. *H. Blackstone*, 270, the Court cites at page 273, the case of *Boone* v. *Eyre*. in which case Lord Mansfield says: "Where the mutual covenants go to the whole of a consideration on both sides, they are mutual conditions, the one precedent to the other."

In *Platt on Covenants*, at page 80, it is stated, "This rule was propounded by Lord Mansfield and formed the ground on which the *Duke of St. Albans* v. *Shore* was decided."
The author lays down as one of the cardinal rules in construing covenants, "Where mutual covenants go to the whole of a consideration on both sides, they are mutual conditions, the one precedent to the other."

See also note by Sergeant Williams to,

Pordage v. *Cole*, 1 Saund., 319.

Roberts v. *Brett*, 6 C. B. (N. S.) 611.

Bankhart v. *Bowers*, 1 L. R., (C. P.) 484.

The parties have stated the real object of this contract not in a recital, but in the same covenant under which the appellee seeks the reduction, viz: "For the purpose of increasing the manufacture and sale of barb fence wire mentioned in said contracts and license, and inducing other parties to pay royalties thereon." It was for this purpose *mutually* agreed, by both appellant and appellee that they "will reduce" their respective royalties to 15c. and 75c., respectively.

The court should construe these covenants as indivisible and as dependent solely upon the performance thereof by appellee.

Should the Court hold that the appellant was bound at the moment of its execution, and that appellee was not equally bound, it would produce this result; that appellant released appellee of two fifths (10c.) of its royalty without any consideration whatever, and that appellant was bound while appellee was *not* bound by its contract. Courts do not enforce unilateral contracts without some consideration.

Mr. Justice Woods says, in *Richardson* v. *Hardwick*, 106 U. S. 252.

"In suits upon unilateral contracts it is only where the defendant has had the benefit of the consideration for which he bargained that he can be held bound."

The covenant was not inserted in the contract for the purpose of making appellee a gift of valuable property rights.

Until appellee first reduced the royalty exacted by it, from all parties then and thereafter licensed, to 75c. and not until then, was appellant bound to reduce its royalty; not until appellee was ready and offered to reduce its royalty. The contract is not drawn *in presenti* but on the contrary is drawn *in futuro; i. e.*, appellant "will reduce" its royalty to 15c. When? The answer is obvious; viz, so soon as and at the time appellee performs its covenant whereby it "agrees to reduce" the royalty exacted by it to 75c.

Courts favor construing covenants as dependent rather than independent.

The *Bank of Columbia* v. *Hagner*, 1 Peters, 455, is a case upon a

contract for the sale of real estate. The plaintiff agreed to sell and the defendant agreed to buy. Mr. Justice THOMPSON, there says;

"In contracts of this description *the undertakings of the respective parties are always considered dependent*, unless a contrary intention clearly appears. A different construction would in many cases lead to the greatest injustice, and a purchaser might have payment of the consideration money enforced upon him, and yet be disabled from procuring the property for which he paid it."

"Although many nice distinctions are to be found in the books upon the question, whether the covenants or promises of the respective parties to the contract are to be considered independent or dependent, yet it is evident that the inclination of courts has strongly favored the latter construction as being obviously the most just. The seller ought not to be compelled to part with his property without receiving the consideration, nor the purchaser to part with his money without an equivalent in return. Hence, in such cases, if either the vendor or vendee wish to compel the other to fulfil his contract he must make his part of the agreement precedent, and can not proceed against the other without an actual performance of the agreement on his part, or a tender and refusal. And an averment to that effect is always made in the declaration upon contracts containing dependent undertakings, and that averment must be supported by proof. And that the one now before the Court must be considered a contract of this description can not admit of a doubt."

A similar case is *Turner* v. *Ogden*, 1 Black, 450.

In *Dakin* v. *Williams*, 11 Wend., 67, after reviewing and approving *Duke* of *St. Albans* v. *Shore*, the Court says, "Courts lean *against* construing covenants to be independent, unless such is the obvious intent of the parties, *and so they should*."

In *Necum* v. *Peoria etc. Railroad Co.*, 21 Ill., 533, Justice CATON says: "Courts will not and ought not to construe covenants independent when one party may refuse to perform and still enforce a performance of the other, unless there is no other mode of construing the instrument—unless it clearly appears that such was the deliberate intention of the contracting parties at the time the instrument was executed."

In order to enforce this contract, even if appellant had refused (which it did not,) appellee must have shown itself "ready, desirous prompt and eager" to perform its part.

Raymond v. *San Gabriel Valley Co.*, 10 U. S. App., 601.
Pomeroy on Specific Per. of Contracts, §399.

Clearly appellee has not shown this in the case at bar.

Mr. Justice HARLAN, in *Pollak* v. *Brush Electric Association*, 128 U. S., 447, says, speaking of the Bank of Columbia case:

"It was there said that the inclination of the courts strongly favors as obviously just, that construction of contracts, which makes the covenants or promises of parties dependent rather than independent."

Aside from the inclination of courts to hold covenants as dependent, the fair construction under the circumstances is that these covenants in this contract are dependent.

The principle governing these cases determines the construction of the covenants before us.

The case of *Loud* v. *Pomona Land & Water Co.*, 153 U. S., 564. it is not at variance with this doctrine.

No one will contend for a moment, that if appellee did not reduce its royalty to 75c. that it could avail itself of the contract on the part of appellant to reduce its royalty to 15c. When, therefore, do these covenants become operative? They are not self-operating. They did not become operative before appellee purported to reduce its royalty to 75c. in January, 1881. Up to that time, appellee makes no claim that it either licensed, or offered to license at 75c. or reduced the royalty to its licensees to 75c.

(2) — Appellee does not seriously deny that the greater number of the members of the Union were ready and willing and would have taken licenses at 75c. had appellee been willing to grant them.

Stiles testifies, that licenses were not issued, "Because in a great many instances Mr. Washburn refused to reduce the royalty to seventy-five cents. He asked 81½ cents or 81¼ cents, I have forgotten which. I had seen a great number of them, and quite a number of them had *agreed to take a license*, and then Mr. Washburn would refuse to give them a license on those terms. I worked away at that for a long time, until I got disgusted with it. * * * I had been at work with nearly all the infringers, talking the matter up about taking a license for some time previous to the agreement of August 7th, 1879, and afterwards, and had gone on the supposition that the Washburn & Moen Manufacturing Co. would, of course, grant licenses at seventy-five cents if they would take it, but on communicating with them I found that *they did not propose to do that*. I had written several letters backwards and forwards about it to know why they would not do it." (R. 239.)

Early in January, 1879, appellant wrote to appellee that Sears, (Iowa Steel Barb Fence Co.) was in Chicago, and stated that one of

their Company was East and expected to see appellee and make arrangement with them for a license, "that they were, *and always had been*, willing to pay you (appellee) royalty on all they had made or would make," etc., (R. 606.) This appellee admitted, and wrote: "We have just been obliged to refuse that company a license." (R. 555.)

Again on October 14, 1879, Washburn wrote: "You say they (the infringers) are willing to pay the royalty of seventy-five cents as proposed, but the real royalty * * * foots up to-day as follows: Thorn Wire Hedge Co., 15c; Kennedy, 12½c; Glidden, 10c; Putnam, 18⅜c; Washburn & Moen Manufacturing Co., 25c. That is in all 81¼c received for 100 lbs. *We informed the opposition, every time we met in Chicago*, that while the royalties actually stood at 81¼c, *that we were in hopes of reducing it to* 75c., and believed it could be done." (R. 498.)

On October 20, 1879, Stiles wrote to appellee: "I saw Sears yesterday. I think his Company will take license at 75c. I understood you when here that that was what you proposed." (R. 568.)

On October 22, 1879, appellee again wrote Stiles:

"You told us *before* that you thought Sears would take the license at 75c. We answered at length, telling you that *we could not put the license at 75c.* until you had accomplished something with *your* company. Our proposition now * * * is for your company to come to 12c. and *we will then guarantee that Putnam shall take off* 3⅛c. more, i. e., if he will not take it off, then we will stand it. * * * Very well you understand that until you can accomplish what we suggested in our last, that the license is 81¼c. and even if it were 75c., we are not willing to issue a license and guarantee the underpayees their royalties from the time the licenses issued, *until three-fourths of the Union take a license.* * * * To recapitulate. *No license can be issued at less than 81¼c. until the Thorn Wire Hedge Company take off 3c. more from their royalty.* Then the whole royalty *can be* fixed at 75c. * * * Can the reduction of the royalty of *your company* be accomplished or not? That is the first to take into consideration. *It is useless for us to argue the case one moment.*" (R. 568, Ex. 140.)

On November 26, 1879, appellee wrote, "What is the position of your company with reference to further reduction in your royalties?" (R. 571, Ex. 141.)

On January 13, 1880, Stiles wrote: "In my opinion the only way for you to do is to make out a blank license, and have it printed * * * There is no use of talking about any Union coming in *as a body*, it can never be done. But as soon as a few come in all will want to follow. *I think if you will license at 75c.*, as you told them in July you would, it can be done quietly and effectually." (R. 500, Ex. 3.)

In answer to this appellee wrote, on January 19:

"We think now we shall prepare such a license as we are willing to issue to the anti-monopoly, and send the same to Mr. Coburn. It may be some little time, however, before we shall have it prepared: *you know that we cannot issue a license at 75c. yet.*" (R. 572, Ex. 143.)

Appellee's covenant is that it *would* license at 75c.

On August 20, 1880, Washburn wrote:

"We had a call from a committee of the anti-monopoly the other day who seemed to be *sincerely anxious* to make an arrangement with *us* * * * They estimated there would be made this year all told 36,000 tons of barbed fencing. * * * We cannot get Putnam until we get your Company and Glidden started. * * * *And the only earthly way to get the 81½c.* down, * * * *is for you and Glidden and Putnam to cut your royalties right in two.*" (R. 284.)

In a letter written August 27, 1880, in answer to the letter appellee admits that it never offered to license at 75c., when Washburn wrote, "And in this connection allow us to state, that we never put our royalty inflexibly at 81½c., *but always stated that while the royalty at the time of talking was that amount,* we had no doubt *it would be* reduced to 75c." (R. 502.)

Thus, more than a year after the making of this contract, appellee solemnly admits that it had not yet reduced its royalty and would not license at 75c, *unless appellant would still further reduce its royalty.*

On October 6th following, appellee again absolutely refused to do so, unless every person theretofore fighting appellee, would take a license and it wrote appellant, "We can do no more than we have done for the past few months" (R. 504, Ex. 9.) This refusal was in answer to the last of appellant's continued requests that appellee comply with its contract of August 7, 1879, and fix the royalty under all its patents at 75c.

On August 25, 1880, Stiles replied for appellant in answer to appellee's of August 20th.

"Our original contract with you was for 37½c. per 100 lbs. For the sake of bringing in outsiders we have reduced considerably, and you now ask us to make it 7½c. While the odd 30c. may seem like a small matter for us to concede, we must respectfully decline any further reduction on any vague or uncertain promises.

"In order to bring in Scutt, Billings and other 'anti-monopoly'

we reduced to 25 cents. Little or nothing has come of this to us. You have not collected of Billings, though his company is responsible, alleging that you dare not sue him as he holds against you claims for damages. * * * Our last contract was made with you with the understanding that the 'anti-monopoly' would all come in and pay royalty, you agreeing, as consideration in said agreement, that you would make the royalty 75 cents. This you have refused to do, holding the royalty at 81¼c. We have good reason to believe that had the royalty been made 75 cents, as per your agreement, a settlement would have been made with all at that time, * * * After settlements with Billings and Scutt, you refused to license the Iowa Company and others. After making the last contract with us you refused to make it 75 cents, and delayed negotiations when it could have been fixed up then. * * * You guaranteed the royalty should be 75c., but went home to 'start Putnam,' as now you talk about starting him again. (Please read our last contract.) * * * I have full confidence that you will get a favorable decision 1st of October. * * * I do not think our company would reduce unless the amount is made certain. We are perfectly satisfied to have you stiffen up your spinal column, get a decision, and, if favorable, *we shall insist on your collecting all the damages you can.*" (R. 285, Ex. 2.)

Appellant never abandoned this notification that it would insist upon appellee's collecting back damages.

We presume appellee meant what it said "to *recapitulate*, no license can be issued at less than 81¼c *until* (*appellant*) *take off 3c more* of its royalty. Then the whole royalty *can be fixed at* 75c. * * * It is useless for us to argue the case one moment." And a year later when appellee wrote: "The only earthly way to get" the royalty down to 75c" is for you (appellant) to *cut your* * * * *royalty right in two.*" Could appellant believe this other than an absolute refusal to license at 75c? Could language be made plainer than in these letters?

Having obtained appellant's contract it says: We will not issue license "until ¾th the Union take a license." What covenant had appellee with appellant making its reduction of royalty to 75c dependent on any particular number of infringers taking license? Appellee's duty was to license at 75c. any who applied for license, if it desired the benefit of appellant's covenant. This was another refusal to license.

(3) That this reduction of royalty to 15c was not intended to be of any force until appellee did in fact reduce its licensees' royalties to 75c is further shown by the fact that it is provided in Scutt's license of

Dec. 18, 1878, that the royalty ($1.50) to be paid by him thereunder, "shall be diminished as *fast as the royalties shall be reduced* which said Washburn & Moen Manufacturing Company are now obliged to pay to. * * * The Thorn Wire Hedge Company * * * under contracts or agreements heretofore made. That is to say: Whenever the royalties are reduced or diminished, which said Washburn & Moen Manufacturing Co. are now obliged to pay and do pay, the same reduction shall be allowed to said H. B. Scutt & Co." (R. 290. § 14.)

Notwithstanding this covenant, *appellee did not reduce Scutt's royalty to 75c until January 1881.* On January 20, 1881, appellee modified Scutt's license and covenanted that the royalty "will amount *after this* (date)" to 75c (R. 298). Then and not until then did appellee attempt in the slightest degree to reduce the royalty to 75c. Washburn testifies that appellee collected 81¼c royalty from Scutt up to at least August, 1880. (R. 481.) It collected no royalty from Scutt between that date and January 1881 until after the latter date. (R. 1198-1200.)

The Ohio Steel Barb Fence Co. was also under its covenants entitled to "have and enjoy the benefit" of all such "concessions or reductions" of royalties (R. 300,) but no pretense is made that appellee ever even suggested such reduction to this company until January, 1881.

(4) It is a mere pretense on the part of appellee now to insist that the infringers would not take license at 75c, when *the sole reason it gave in 1879 and 1880* to Stiles, as appears from the correspondence in evidence, for not reducing the royalty was that *Putnam refused to reduce his royalty to* appellee, (R. 286.) although appellee represented to appellant that if it would reduce its royalty Putnam would reduce his royalty at the same time. (R. 83, 568. Ex. 139.) It admits it was mistaken when it made such representation. (R. 568, Ex. 140.)

Appellant's contract was not dependent on appellee's getting a reduction from Putnam, but *solely* upon appellee's licensing at 75c and reducing the royalty under all its barb wire patents, upon "wire manufactured by" all its then and subsequent licensees to 75c. Nor was appellant's contract dependent upon all infringers taking license. It was appellee's duty to license every person who desired a license or at least a sufficient number to supply the demands of the trade.

Appellee could have issued licenses at such reduced royalty to 75c. and after the payment of *all* under royalties still have a profit of 21¾c per hundred pounds, or 3¼c. more than the royalty agreed to be paid

by it to appellant or to any other receiver of royalty. To comply with its covenant to reduce royalty to 75c, at that time, would simply have made appellee's investment less profitable.

Washburn testifies that in the year 1880 there was made and sold barb wire to the amount of 25,000 tons. (R. 435.) In February, of the same year, Mr. Sears, of the Iowa Steel Barb Wire Co.—one of the largest then Infringers—estimated that the product during the year wou'd be 30,000 tons. (R. 501.) During the year 1879 the amount of manufacture of barb wire was about half that of 1880. (R. 435.)

If then, appellee had used "reasonable and diligent efforts to supply the demand" for barb wire, as provided in the contract of July 3, 1876, by granting licenses to the parties who were willing to take a license at 75c royalty, and whom appellee refused to license at such royalty, and if appellee had made "each of such licensees agree to pay (appellee) for the (appellant) 15c per 100 pounds on all the barbed wire it makes and sells during the term of the Kelly patent," royalty on wire to the amount of 50,000 tons after August 7, 1879, could and should have been collected prior to January, 1881, and such royalty at 15c would have amounted to upwards of $150,000. and at 25c to $250,000. Knowing that a vast amount of infringing wire was being made by the parties against whom suits were pending, appellant wrote to appellee in August, 1880, that if the decision, then about to be rendered, should be favorable to appellee, "we shall insist on your collecting all the damages you can." (R. 285.)

(5) Appellee's real reason for not licensing at 75c was not because the infringers refused to take license at that rate of royalty, (in fact they did not refuse); or because Putnam or others had not abated their royalty to appellee, *but because appellee had so obligated itself* (without appellant's knowledge) *in such a manner*, under the terms of its licenses granted to the Ohio Steel Barb Fence Co. and H. B. Scutt & Co. *that appellee could not issue other licenses in excess of 5,000 tons in any one year, without the consent of those two companies.*

Appellee covenanted with Scutt that it would not license more than 5,000 tons of barb wire "in any one calendar year during the continuance of this license, without the consent of the majority of its (then) present licensees." (R. 293 * 562 § 23.)

Appellee covenanted with the Ohio Steel Barb Fence Co., that it would not, without the written consent of that company, "issue or grant to any person or persons, or to any corporation, any license, or right to make and vend barbed wire for fences, or use machinery or devices therefor, to an amount exceeding 5,000 tons in the aggregate in each calendar year," in addition to the licenses then issued. (R. 308 * 586.)

Appellee further covenanted with the Ohio Steel Barb Fence Co. to pay it upon all barb wire licensed by it in excess of such 5,000 tons annually, "as stipulated damages * * * such a sum as the royalties required to be paid by (Ohio Steel Barb Fence Co.) under this agreement would amount to, on the number of tons authorized to be manufactured under such *prohibited* or excessive license." (R. 309.) That is an agreed penalty of $30. per ton on each ton that it might license in excess of 5,000 tons.

Appellee also compelled the Ohio Steel Barb Fence Co. to covenant not to sell a greater amount of barb wire in any one year than I. L. Ellwood and appellee at a penalty of the entire net profit in excess of its licensed tonnage. (R. 310.) These covenants continued in force until January 27, 1881, when "said agreement now cancelled" by stipulation of the parties, they were satisfied. (R. 577.)

Here then we have the real reason why appellee refused to grant any licenses between December 2nd, 1878, and January 1881. Appellee knew that in refusing to grant such licenses it was not living up to the terms of the contract of July 1876, wherein it covenanted "to use reasonable and diligent efforts to supply the demand for this article throughout the country." Yet, notwithstanding such covenants, appellee deliberately entered into covenants with third persons under which appellee put it out of its power to comply with its covenants with appellant, and by this means fostered litigation on the part of infringers, who were eagerly seeking license from appellee.

It refused to make known (but deliberately concealed from) appellant the terms of these licenses granted to Scutt in 1878.

Both Stiles and Calkins say appellant did not know the terms of these licenses at the time when they were issued, and were not informed until after January 1881. (R. 135, 240, 255, 262.)

This is absolutely confirmed by the written declaration contained

in the record book of the Board of Directors of appellant, made in 1878, at the time it authorized the reduction of royalty to appellee from 37½ c. to 25c., at which time these licenses were issued. This resolution recites that "the contracts between said Washburn & Moen Manufacturing Co. and other parties in regard to licenses, is not fully understood" by appellant. (R. 221.) Again, subsequently, in March, 1879, appellee wanted a release from appellant as to its royalty under a license appellee then proposed to issue to the Brinkerhoff Co. Appellant refused for the reason then given in a "private" letter between Stiles and appellee in reply to such request, that appellant did "*not know what arrangements were made in* 1878 *with Scutt and Billings.* (Ohio Steel Barb Fence Co.)" (R. 557—Ex. 103.)

These were statements made in the course of negotiations; at a time when the matters now in controversy had not arisen, and when every inducement was to speak the truth, and aside from Stiles' letter as agent of and in reply to appellee, are admissible in evidence and are properly *res gestae.*

Greenleaf on Ev. § 108.
Rice on Ev. 375.
Conn. Mut. Life Ins. Co. v. *Lathrop,* 111 U. S., 612.

Says Mr. Justice SWAYNE, in *Travelers' Ins. Co.* v. *Mosley,* 8 Wall, 397,

"The tendency of recent adjudications is to extend rather than to narrow the scope of the doctrine, (*res gestae.*) Rightly guarded in its practical application, there is no principle in the law of evidence more safe in its results; there is none which rests on a more solid basis of reason and authority."

Says Mr. Justice FIELD, in *Vicksburg Etc. R. R. Co.* v. *O'Brien,* 119 U. S., 99 (in dissenting opinion):

"The modern doctrine has relaxed the ancient rule, that declarations to be admissible as a part of the *res gestae* must be strictly contemporaneous with the main transactions; it now allows evidence of them when they appear to have been made under the immediate influence of the principal transaction, and are so connected with it as to characterize or explain it."

Not only are such written declarations admissible, but they are of far greater weight than statements from memory, given in evidence in 1889, twelve years after events occurred.

From 1878 to 1881 appellee thought it better to stand by the cove-

nants made with these two licensees than to carry out in good faith its covenants with appellant to supply the demand for "the article" known as barb wire, by licensing at 75c.

Appellee, Scutt and the Ohio Steel Barb Fence Co. concealed their contracts and licenses, from appellant and executed mutual releases to each other. (R. 296, 576.) Not until these agreements with Scutt and the Ohio Steel Barb Fence Co. were canceled *was appellee in a position where it could license at* 75c., without laying itself liable for vast sums of damage money. It was the fear of this that restrained it from granting licenses at 75c. until January, 1881.

When appellee chose to grant licenses at 75c. as it nominally did in January, 1881, Putnam had not *then* reduced his royalty below 18¾c. per one hundred pounds. (R. 483.)

The same conditions, as to under-royalties, covenanted to be paid by appellee, existed on January, 1st, 1881, as on August 7th, 1879.

The same parties who were granted licenses by appellee in January, 1881, were those who were willing and desirous of taking licenses during 1879 and 1880.

Stiles states: "The parties who took licenses in January, 1881. were the parties who had been members of the Barb Wire Union prior to that time, and had been fighting the patents. *All the members of the Barbed Wire Union* who had been fighting Washburn and Moen Manufacturing Co., except Haish, took licenses in January and February, 1881.

"The members of the Barbed Wire Union who took licenses in January and February, 1881, were the same parties whom I had been endeavoring to induce the Washburn and Moen Manfacturing Co. to grant license to at 75c. subsequent to August 7, 1879." (R. 253.)

This is not denied in the record.

Some of the Members of the Barb Wire Union, who in August 1879, (whose names appear in correspondence) were willing to take license, were the Baker Manufacturing Co., Lyman Manufacturing Co., Iowa Barb Wire Co., (Douglas), Frentress Barb Wire Co., Chicago Galvanized Wire Fence Co., Iowa Barb Steel Wire Co., (Sears). Lockstitch Fence Co., Pittsburg Hinge Co., Limited: Cincinnati Barb Wire Fence Co., Sandwich Enterprise Co., (Licensees, R. 377, Ex. A. 13,) All of these parties took licenses in January, 1881.

(6) Counsel say that appellant is estopped from denying that the

reduction of royalty to 15c. was to commence on August 7th, 1879, because appellee paid royalty upon the product of itself and Scutt at 15c. between that date and January 1, 1881, and the same was received by appellant.

The circumstances under which such payments were made are: appellee made its monthly reports of the wire sold by itself, I. L. Ellwood & Co. Scutt and the Ohio Steel Barb Fence Co. prior to January 1, 1881. The form of such reports, in evidence, give simply the number of pounds sold in the preceding month. (R. 203, 1132 to 1224.) They don't purport to give the rate of royalty collected by appellee from Scutt, or the Ohio Steel Barb Fence Co. We have already shown that appellant did not know at the time the licenses were issued to those two companies what were the terms of such licenses or the rate of royalty exacted by appellee from them. Appellee never reported the rate of royalty paid to it by a single licensee. Stiles and Calkins both testify, that they did not know what rate of royalty was being collected from Scutt or the Ohio Steel Barb Fence Co. between August 7th, 1879 and January 1, 1881, (R. 155, 162.) Calkins understood the rate was $1.50. (R. 162.) Appellee has produced no evidence to show that it did notify appellant.

The covenant under which appellee claims reduction of royalty to 15c. provides that appellee shall not only license in the future at 75c., but that *it will also* reduce the royalty to its then licensees (Scutt and the Ohio Steel Barb Fence Co.) to 75c. The reduction of such royalty by appellee was as much a condition precedent to appellant's reduction to 15c. as its licensing infringers.

Appellant, therefore, could safely rely upon the fact that appellee would make such reduction to its licensees from the fact that appellee demanded such reduction from it. Washburn testifies: that appellee continued to exact *and collect* 81½c. royalty from Scutt up to August, 1880—for more than a year after the date of the contract. (R. 481.) In fact, however, no reduction was made to Scutt until January 20, 1881, when under Scutt's modified license it was stipulated for the first time that Scutt's royalty "Will amount *after this date*" to 75c.

The first element of an estoppel is wanting: viz: knowledge on the

part of appellant that appellee did not make such reduction to its licensees.

No license was issued; no reduction of royalty was made; no obligation was entered into and no act was done by appellee upon the fact of this contract until January 1, 1881. Until that time there was no consideration for any reduction.

The contract for appellant's reduction was not to become operative until appellee performed its covenant. There can be no estoppel *in pais* against the conditions of a written contract when its terms are clear and precise.

Appellee sold wire during this entire period at the same price per pound as before. The price per pound it received for its wire and the royalty received from its licensees *included* 25c. per 100 pounds royalty covenanted to be paid appellant. There is no covenant between the parties which gives this increased 10c. royalty per 100 pounds to appellee. The money so paid to and received by appellee belongs, under its contract, to appellant. If appellant settled with appellee for the royalty at the basis of 15c., it was in utter ignorance of the fact that appellee made no reduction of royalty to its licensees, and no consideration was paid appellant therefor, and there was no estoppel on the part of appellant.

(7.) Counsel say that the parties have put a construction upon the contract of August 7, 1879, that it went into immediate effect, in this. that it is recited in the release of July 27th, 1881, as follows:

"Furthermore, in the execution of the existing agreements between the parties bearing date July 3, 1876, December 2, 1878 and August 7, 1879, * * * providing for the payment of 15c. by (appellee) to (appellant) as consideration money for the Kelly patents," etc.

This recital merely recognizes *the existence* of the original and two supplementary contracts. It does not purport to change, to give the terms of or construe those contracts.

The contract, as modified, August 7th, 1879, does provide for the payment of 15c. royalty. But this recital can in no way be construed as an admission that the reduction to 15c. should take place until appellee shall first have performed its dependent covenant. The reduction of royalty to 15c. was dependent solely upon appellee first reducing its royalty to its licensees and licensing at 75c, and not until then.

II.

Appellee offered in evidence numerous acts and letters of Stiles, *as being admissions of appellant* that the royalty between August 1879 and January 1881, was reduced to 15c. Even if counsel could modify the covenants of appellant's contract by such admissions (which it can not), these letters are not proper evidence, *because they are letters written between appellee and its agent, Stiles, while he was acting as an employee of appellee, and not when acting for appellant.* They were objected to by appellant on that ground. (R. 497.)

On July 1, 1876, *two days before* the original contract between appellee and appellant was consumated, appellee and Stiles entered into a written agreement, by which Stiles was to give "his time and attention" to the business of appellee in and about its patent litigation, and such other business as he should be requested by appellee to perform, and for which services appellee agreed to pay Stiles a salary of $5,000 a year.* (R. 521.)

Worcester, Mass., July 1st, 1876.

*"This memorandum of agreement by and between Aaron K. Stiles of the City of Chicago, County of Cook, State of Illinois, party of the first part, and Washburn & Moen Manufacturing Company, a corporation duly established under and by the laws of the Commonwealth of Massachusetts, and having a place of business in the city and county of Worcester, Massachusetts, party of the second part.

Witnesseth, that whereas it seems probable that the party of the second part may obtain control of all the bottom patents on barbed fence wire in this country; *and whereas party of the first part has paid much attention to such patents* now, the said party of the first part agrees and covenants with the party of the second part, to be and remain subject to the demands of the said party of the second part, for the space of one year, commencing with this date, for the true and faithful performance of duties as follows:

1st. He shall give his time and attention to ascertaining cases of infringement upon any patents, now or during the continuance of this contract, owned by the party of the second part, and shall give prompt and detailed information regarding such infringements to such persons as the party of the second part may designate from time to time.

2nd. To serve such papers upon infringers as he shall be requested to serve, by the party of the second part, or by their authorized agents or attorneys.

3rd. To perform such other business *in the interests* of the barbed fence wire business *of the party of the second part*, as he shall by them or their agents be requested to perform from time to time, during the continuance of this contract.

The party of the second part hereby agrees to pay to the party of the first part as a compensation for such services the sum of ($5,000) five thousand dollars, same to be paid in monthly installments.

It is further agreed that the party of the first part shall in no case make any charges against the party of the second part of any nature, besides the above named sum for services, during the continuance of this contract, except for actual expenses when travelling upon orders of the party of the second part or of their agents.

Aaron K. Stiles.
Washburn & Moen Mfg. Co.
Chas. F. Washburn,
V. Pres. & Sec'y."

Clearly the scope of this contract was not under or required by any covenant of appellee's contract with appellant.

This employment was made pursuant to a *previous* understanding between Stiles and appellee. Washburn wrote Stiles March 28th 1876, *three months* before it made its contract with appellant, that in case appellee purchased appellant's patents appellee would "*fix a further compensation for your personal services in the business.*" "This whole matter is a *confidential one between us.*" (R. 552). This confidential relation between appellee and Stiles was not made known to any other member of appellant until after the commencement of this suit, and at about the time of taking the testimony of Stiles in this cause (R 127, 243 * 473.)

Appellant does not here complain that Stiles' such employment 'in itself' was hostile to his duty towards appellant. Nevertheless, it is indicative of the secrecy and concealment thus begun and thereafter constantly exercised by appellee towards appellant, when its duty was to act honestly and speak openly.

Washburn says: "The scope of the employment of Mr. A. K. Stiles while working for us was to assist us in our litigation." (R. 441.)

What he did while under which employment is best described in the words of Washburn on cross examination. He says:

"Stiles, while in our employ, procured various samples of barbed wire, as the same were being introduced when requested by us; models of machines used in the manufacture of barbed wire; samples of various kinds of loose barbs, and appliances used in fastening the same to the wire; various kinds of wire stretchers; hunted after witnesses to sustain patents then in litigation, or claims for letters patent, either in interference in the Patent Office at Washington, or in suit elsewhere, which letters patent were owned by us and related to barbed wire and barbed wire machines; attended to advertising patents of Washburn & Moen Manufacturing Co., when requested; furnished at times advertisements when requested; sought to ascertain the names of alleged infringers upon our barbed wire patents and machine patents; inquired into the character of the manufacturers of barbed wire who were not under license from us, in reference to the amount of their tonnage and number of machines used by them, the style and character of the machines used, and the barbs manufactured; reported such information to our counsel; and under our direction employed assistance necessary to carry out the various acts already enumerated; and, in general, held himself subject to the direction of our attorneys in such matters. This substantially states

the ground Mr. Stiles covered while he was under pay from us." (R. 463, 464.)

The contract for Stiles' hiring was for only one year, yet Washburn testifies: "Stiles continued in our employment for some time after the expiration of that agreement * * * there was no further written agreement," but "we went along under the *impetus* of that first agreement." (R. 443.)

Stiles says about January, 1880, he talked over the matter of continuing in their employ with Washburn. "I told Mr. Washburn they could call on me at any time, and I would do anything I could, but I did not feel I could do enough for them to pay me a salary. *I always acted for them in some respects* * * * . They said although I received no salary—we talked it all over—I told them I did not want any salary, *still, they did not want me to stop doing business for them.*" (R. 261.)

Washburn says the only change that was made in the duties required of Stiles was that Stiles "Did not wish to be considered any longer subject to be sent away on long and arduous trips that we had been in the habit of calling upon him to undertake." (R. 461.) The same necessity, however, existed for taking testimony in appellee's patent cases in 1879 and 1880 as existed in 1878. (R. 466 *887.)

Washburn says he frequently visited Chicago during 1879 and 1880 and he always consulted Stiles as to the patent litigation as freely *and to the same extent* as prior to 1879. (R. 466.)

Stiles says that he could not conscientiously charge appellee a salary as he could not devote his entire time. (R. 243.) Shortly after this talk on February 7, 1880, and with this understanding, Stiles wrote Washburn, "I have now but little time to spare, and what little time I SPEND FOR YOU *I shall make no charge for.*" (R. 556.)

Stiles says he continued in the employ of appellee continuously right along up to December, 1880, when the decisions were rendered in the barb wire cases. (R. 238, 243, 245.)

Washburn admits that he had a talk with Stiles in reference to his continuing in their employment, and that this conversation was as substantially detailed by Stiles. (R. 461.)

At the time when Stiles ceased to give his entire time and ceased to charge for it, he says: "I got a better man * * * Millington." (R. 243.) The time he got Millington is fixed. On March 8,

1880 (R. 573.) he urged appellee to hire Millington, a detective. (R. 687.) In reply, appellee wrote: "See that Millington is engaged beyond a peradventure." (R. 574.) On March 18th, appellee wrote: "We have hired Millington for a year." (R. 575.)

Coburn, appellee's counsel during the entire patent litigation, says: "I know he (Stiles) did give a good deal of time to the litigation conducted by me, and that I consulted him and called on him for assistance whenever I desired. He reported in reference to infringements, who were manufacturing, and where. *I know of no change in the manner of his furnishing information or assisting me* PRIOR TO JANUARY, 1881." (R. 699.) Still he says that he did not know that Stiles was under written contract with appellee, and that Stiles devoted the same time to appellee's business before and after December, 1878. (R. 704.)

Millington, who assisted Stiles, in conducting this litigation, says he did not know of Stiles' private employment (R. 658), and that there was no change in the manner of Stiles assisting in this litigation at any time prior to January, 1881. (R. 661.) We have the testimony of Stiles, Coburn, Millington, and Washburn, as to what he (Stiles) did under this contract of employment.

Washburn says Stiles' employment ceased about December, 1878, when the testimony in Texas, relating to the barb wire suits, had been taken (R. 461.) Washburn is mistaken as to the date. Millington says he was employed under Stiles on this business in Texas during the Summer and Fall of 1879, and that "The principal object of my being in Texas (was) taking testimony for" appellee. (R. 660.) That in 1879, "Stiles directed me to make an examination for infringers and infringing wire just the same. There was no material change in the manner." (R. 661.) Taking this testimony was not completed until the Fall of 1879. Stiles paid part of Millington's expenses on this trip, the same as theretofore. (R. 660.) Coburn expected Stiles to go to Texas with him in 1879, but a pressing law suit alone detained him. (R. 606.) For which detention appellee expressed great regret, and wrote: "Sorry you could not go to Texas, but you must write Millington a letter every day or two;" so as to direct his operations in taking such testimony. On July 15, 1879, Stiles wired Millington "Remain to assist Lawrence" (appellee's attorney, R. 682.) Millington says "I received letters from Stiles in relation to taking testimony (R. 660, 566. Ex. 127.) Calkins says Stiles was away from Chicago looking up evidence for appellee's suits, numerous

times after December, 1878. (R. 162.) He "never discovered any difference in Stiles' being away during the years 1876, 1877 and 1878 than he was during 1879 and 1880. The fact was he was away much of the time and I think more after that, if anything, than before, except the time he was away in Texas taking testimony." (R. 154.)

Washburn says: "Our books will show how long he (Stiles) continued to receive payment from our company. The date of the last payment was October, 31, 1879." (R. 443.) Up to this date, he admits, Stiles was in its service under pay.

Appellant was entitled to "the exclusive, disinterested skill, diligence and zeal" of Stiles, while in its employ. *Story on Agency*, § 210.

Will counsel contend that when appellee wrote personally and *confidentially* to Stiles, as it did, (R. 557, 558) to use his influence with appellant, to release its royalties upon the Brinkerhoff Strip Co., or to urge appellant to reduce its royalty, further, (R. 576) that he was acting as appellant's agent?

Instances are constantly appearing in the correspondence up to January 1, 1881, which show that Stiles was using his "skill, diligence and zeal," for and as an agent of appellee, and that he was not then acting for appellant.

While in such employ numerous letters were written and passed between appellee and Stiles, and it is from acts of Stiles during this period, and from this correspondence that appellee now seeks to build up an estoppel against appellant.

Appellee has offered numerous of these letters which passed between appellee and Stiles in evidence, and (aside from the record in the Chicago Galvanized W. Fence Co. case, the opinions in barb wire cases, letters patent and the royalty reports) they constitute the bulk of the documentary evidence. Every one of these letters is consistent with, and only explainable on the theory of Stiles' employment by appellee. The letters which passed between appellee and Stiles were just as frequent and related to the same topics during the year 1879 and 1880, as in the year 1876, when appellee was paying Stiles a salary of $5,000. a year for his services.

All these letters were the private letters and correspondence between Stiles and appellee. Stiles said that he had a private office with appellant, but a separate room. (R. 126.) He kept a private

letter press book, in which he copied his letters. He kept a safe and letters at his house as well as at his office. (R. 109.) These letters were all private. None of them were accessible to the employees of appellant. Stiles says he never informed any of the officers of appellant that he was in the employ of appellee *until after the institution of this suit.* (R. 243.)

The greater part of Millington's testimony relates to a large package of these private papers of Stiles, which he received from Stiles. at the latter's residence, where Stiles had kept them. (R. 670.)

J. W. Calkins says that he never knew of this private relation (R. 103) until after he returned from Worcester, in February, 1888. when he took testimony of C. G. Washburn in the case below. When Stiles, for the first time, informed him the he was employed by appellee prior to 1881, and for the first time (R. 127) showed him this correspondence which is in evidence.

Washburn says that he never informed Calkins of the "*confidential*" relation between appellee and Stiles. (R. 474.) It was for this private business, stated in Stiles' contract, and under the "*impetus*" of which the same relation continued, that appellee paid Stiles the salary of $5,000. a year. It is true the personal business in which he was engaged indirectly benefited appellant, as every other person interested in the barb wire business. But the work done by Stiles could have been done by any other person, as familiar as he, with the subject of litigation. It. was because of his individual qualifications ("paid much attention to patents" as stated in his contract), and not because he was an officer of or interested in appellant that he was hired by appellee, to perform the business which appellee had expressly covenanted to do at its own expense. When, therefore, appellee seeks to build up an estoppel against appellant by reason of acts done by Stiles and his personal correspondence, during the period of his employment. the burden is upon appellee to show that these letters related to the business of appellant. Stiles never showed these letters to any other officer of appellant. (R. 107, 239.) The fact that Stiles was engaged in finding evidence to sustain the letters patent was not appellant's business. but for which services appellee paid Stiles. Appellee had expressly covenanted to institute and carry on these suits.

Counsel will say that Stiles' letters were written on paper having

appellant's letter heads. But this fact did not mislead appellee, as Washburn testifies, "From first to last, the use of these (letter heads) * * * was simply taken as a matter of course." (R. 465.)

Every letter passing between Stiles and appellee after July 1876, and prior to January, 1881, was of this private nature and character, relating to "the interests of the barbed fence business of the party of the second part" (appellee), for the prosecution of which business appellee hired Stiles. On this theory only are the numerous letters of Stiles, which are in evidence, explainable. Even if such evidence were admissible for that purpose, appellee can not build up an estoppel against appellant by the acts of Stiles as its own agent done during this period.

Yet notwithstanding, there is no act shown or statement contained in any of Stiles' letters, which can in any manner be construed as an estoppel against appellant. The contract alone determines appellant's rights and not statements of Stiles.

(*c*)

MATTERS ON AND PRIOR TO JULY 27TH., 1881.

The suits instituted by appellee and Ellwood under the Hunt, Smith Kelly, Glidden and Kennedy patents, were tried in June, 1880. On December 15th, following, Judges Blodgett and Drummond rendered their decision sustaining these patents. (*W. & M. Mfg. Co.* v. *Haish* 4 F. R., 900; R. 764.)

(1) Appellee acted on this decision and in January, 1881, *one and one-half years* after it had covenanted to so do—for the first time—and issued licenses,—*nominally*,—at a royalty of 75c. per 100 lbs.

But appellee did not, *in fact*, issue licenses at 75c. Under the terms of the supplemental contract of August 7, 1879, the condition upon which appellant "will reduce" its royalty to 15c. is that appellee would "reduce the royalty * * * on account of its ownership of any patents used in the manufacture of said wire by it or its licensees or persons manufacturing or selling wire under its authority or who shall hereafter be so licensed to *at least* 75c. per 100 pounds."

It is true licenses were then issued at a nominal royalty of 75c. But appellee exacted, in addition to the 75c. royalty, $10. per ton, for each ton licensed, as a "bonus or *premium* * * * for the privilege of obtaining a license."

It is averred in the Bill, that "*As a further condition* to its granting such license," appellee required each licensee to pay it "an *additional* sum of money ranging from about $5. to $10. per ton upon the amount of tonnage then licensed by it as a *bonus*" or "premium for the *privilege* of a license." (R. 32.) This is admitted in the answer. (R. 39.)

In exacting this bonus or *premium* money appellee was not complying with its covenant to reduce to "*at least*" 75c. per 100 lbs. The real effect of this bonus money or "*premium*, or the privilege of obtaining a license" was to add from 25c. to 50c. per 100 lbs. royalty until the full authorized amount of the first year's licensed tonnage should be manufactured. Appellee called it a bonus; it was in effect but another way of charging additional royalty. The royalty agreed to be charged by appellee "on account of its ownership of any patents" was to be "*at least* 75c. per 100 lbs." not 75c. and a bonus or premium of 25c. to 50c. per 100 lbs.

It matters not what patents appellee owned; its covenant was that it would not charge *more* than 75c. under *all* its patents, if appellant would reduce its royalty to 15c. It charged 75c. *plus a premium* or bonus. A bonus is defined as "A sum paid *over and above* what is required to be paid or *is regularly payable*." *Century Dictionary.*

Appellee defined it in this paper as "a premium (price) for the *privilege* of obtaining a license." (R. 213 *408.)

If, in addition to the regular royalty of 75c. appellee charged a bonus of 25c. to 50c. per 100 lbs, it did not, in fact, reduce the royalty to 75c. The statement of the proposition shows the falsity of of appellee's position.

The licensees either gave cash or notes for this bonus money. (R. 579, Ex. 161.) When notes were given they were payable so much per 100 lbs. per month, at the same time and in the same manner as the royalty of 75c. Appellee kept its books and accounts relating to this bonus money in the same manner as it kept the royalty accruing upon wire manufactured under the license. In this

way it was willing to license appellant to make a four point wire. By collecting this bonus monthly, in addition to, and at the same time as the accruing royalty, appellee was collecting monthly 75c. royalty, plus the monthly payments of bonus on each 100 lbs. of wire then being manufactured and sold. This certainly was not the contract of August 7, 1879.

Washburn says there were *numerous* parties who made application for licenses, to whom appellee did not grant licenses or who refused the terms offered. (R. 389. 488.) The manufacturers of wire were generally seeking license. (R. 315.) This is admitted. Stiles says he urged the licensing of all reputable manufacturers. (R. 261.) This is not denied.

Appellant (admittedly solvent) also then made application to appellee for a license for 2,000 tons of a four point wire, its (Kelly) wire being a two point wire. Appellee was willing to grant it a license, but demanded a "bonus or premium" of $20,000. which appellant would not pay and refused to take the license. (R. 246.) Not only did appellee refuse to grant appellant such a license at the time of making settlements in Chicago, without such bonus, but appellant again made application, by letter to appellee at Worcester, and on March 5th, appellee wrote appellant, still insisting upon payment to it of such bonus or premium as a condition of granting such license. (R. 579 Ex. 161.)

How many other manufacturers refused to take license after all had acquiesced in Judge Blodgett's decision, because of this unwarranted action on appellee's part, appellant is unable now to show. They must have been numerous. Appellee's papers should show, and it still has these applications for licenses. The exacting of this premium was undoubtedly the cause of many refusals to take license. The Farmers Protection Association, refused to take license (R. 389.) Jacob Haish made a written application for license and gave full information as to his previous manufacture of wire, for the purpose of estimating his past infringments. (R. 328.) He refused, however, to pay a bonus *and* back damages. (R. 249.) Millington gives the names of *twenty* other and different parties who had made application for license, *but who refused to take license* (R. 667—669.) These were almost one-third of the applicants. Undoubtedly, this bonus was the cause of such and other refusals.

Washburn says in 1885, there was manufactured and sold 150,000 tons of barb wire (R. 436.) He licensed but 108,000 tons. (R. 377.) But for this $10 per ton bonus exacted in violation of its covenants, all adverse manufacturers would undoubtedly have come in and taken license. But for this bonus, appellant would have received royalty on 40,000 additional tonnage, in excess over the amount thus licensed.

It was this unjust bonus that caused manufacturers to subsequently litigate the patents. In so exacting this excessive "premium for the privilege for a license" appellee was not complying with the terms of the contract of August 7, 1879, and appellee was putting it out of its power "to supply the demand for this article (barb wire) throughout the country," by itself or licensees, under the Kelly patents, as was its duty to do under its contract with appellant.

Appellee cannot say appellant stood by *passive.*

Stiles and Calkins testify that they made objections, at the time such settlements were being made, to appellee making a charge for this bonus money and exacting a premium, and informed appellee that in so doing it was not complying with the contract of August 7, 1879.

Calkins says: "We contended that they had no right to exact" bonus. (R. 114 *216.)

Stiles says: "As a general thing Washburn & Moen did charge the licensees a bonus and *I objected to their doing so,* I thought they had no business to do that." (R. 247 *479,) This is not controverted.

In its letter of May 12th, 1881, appellant wrote to appellee that "by exacting a bonus in addition to 75c."it was not complying with the contract of Aug. 7. 1879. (R. 184.)

Appellee admits that between January 1, 1881, and July 27th 1881. it collected for bonus money the sum of $64,095.38, and between July 27th, 1881, and February 12th, 1885, the further sum of $47,633. in all $111,728.38. (R. 411, 377, Exs. A. 7. 13). This $111,728.38 was money paid to appellee "as the premium for the privilege of a license" in addition to the royalty of 75c. per 100 lbs., upon wire man-

ufactured subsequent to January 1, 1881, and also in addition to the $257,447. back damage money collected.

Not only was the bonus so made payable monthly, but where the back damages were not paid in cash, the back damages were also payable in a fixed amount per lb. upon each 100 lbs. made during the current month. Each licensee thus paid appellee 10c. per 100 lbs. as bonus; 10c. per 100 lbs. as back damages, and a fixed royalty of 75c. per 100 lbs., that is, 95c. per 100 lbs. until the bonus and back damages were fully paid.

Will counsel contend that this was a bona fide reduction of royalty under the contract of August 8, 1879 to "at least 75c."?

Calkins testifies: "The bonuses asked were spread along for months (and) seemed to have been collected with the royalties as they accrued," and "the royalty became as onerous to the licensee," as if the bonus had been so much additional royalty. (R. 147).

While appellee, undoubtedly, had the right under its contract to exact what royalty it chose from its licensees, so long as it acted in good faith towards appellant, yet when it seeks the benefit of appellant's covenant to reduce its royalty under the amendment of August 7th, 1879, appellee is bound to show that it complied with all the conditions incumbent upon it, upon which such royalty was agreed to be reduced by appellant.

(2) Not only were licenses issued to members of the Union, as stated by Stiles, but licenses were also issued to other manufacturers from all sections of the country.

In a circular to the trade, issued by appellee May 21, 1884, their counsel, L. L. Coburn, states:

"After the decision rendered by Judges Drummond and Blodgett, *nearly all the barbed wire manufacturers throughout the country* acknowledged the validity of the barbed wire patents, as well as the machinery patents, owned by Washburn & Moen Manufacturing Company and I. L. Ellwood, and took license under them." (R. 315 *598).

Similar patent suits had been pending in Ohio, Connecticut, Massachusetts, Iowa, Missouri, Minnesota, New York and other states. (R. 437). Appellee then abandoned most of these suits (R. 315), and issued licenses to these defendants. In addition to parties resid-

ing in the circuit below appellee issued licenses to parties who resided without such circuit, viz: to the Baker Manufacturing Co. (1,500 tons); The Iowa Barb Steel Co. (Sears), (3,500 tons); The Frentress Barb Wire Co. (Burt) (1,000 tons); and The Hawkeye Steel Barbed Fence Co. (600 tons) of Iowa; The St. Louis Wire Fence Co. (1,500 tons); of Missouri; The Cincinnati Barb Wire Fence Co. (1,200 tons); Cleveland Barb Fence Co. (900 tons); The Ohio Steel Barb Fence Co. (new license, 3,000 tons); and the The Railway Barb Fence Co., (900 tons) of Ohio; The Iowa Barb Wire Co. (Douglas) (4,500 tons); and Pittsburg Hinge Co. (3,000 tons) of Pa.; Thomas H. Dodge (2,000 tons) of Mass.; Albert Henly (300 tons); J. H. Lawrence & Co. (600 tons); and Marcus W. Warne (300 tons) of Kansas; and Robinson & Hallidie of California; an aggregate annual tonnage of 26,000 tons, out of 50,000 annual tons then licensed — more than one-half of the tonnage granted. (R. 94,377.)

Each person seeking license was required to make written application to appellee and Ellwood, stating location, capacity, "amount of wire previously made," and letters patent under which he claimed to manufacture. (R. 328).

These licenses drawn by appellee's counsel, Dodge, Coburn, and Raymond, (R. 697), recited that they were issued by appellee under the Hunt, Smith, Kelly, Glidden and all other patents, then owned or thereafter to be acquired by appellee *and* I. L. Ellwood; and as a rule they were for the same styles of wire theretofore manufactured by a licensee, samples of which usually consisting of three or more were attached.*

The licenses covered a period of thirteen years terminating February 27, 1894 (the date of the expiration of the Putnam machine patents), *nine years after appellant's contract with appellee terminated.*

All licenses were approved by I. L. Ellwood in writing. Washburn says that no license could be issued without the concurrence of Ellwood. (R. 445.) This was under some contract with him, not in evidence, as appellee had power as a joint owner (independent of any contract) to grant licenses under such patents.

*The Form of license, by its terms issued by appellee *and* approved by I. L. Ellwood, is found on page 359 of the Record.

Curtis on Patents, Sec. 189, 191.
Hindmarch on patents, 67, 236.
Bump on Patents, 141.
Dunham v. *Railroad Company*, 7 Bissel, 223.
Clum v. *Brewer*, 2 Curtis C. C. Rep., 506.
Parkhurst v. *Kinsmam*, 1 Blatch., 496.
May v. *Chaffee*, 2 Dillon., 385.
Whiting v. *Graves*, 13 O. G. 455.
Vose v. *Singer*, 4 Allen., 226.
De Witt v. *Manufacturing Company*, 12 N. Y. 302. (S. C., 66 N. Y., 459).
Gates v. *Frazier*, 9 Brad., 624.
Mathers v. *Green*. 1 L. R., Chan. App., 29.
Edwards v. *Normandy*, 3 N. R., 562. (S. C., 12 W. R., 548).

Appellee's witnesses state that Washburn alone conducted these settlements with the various licensees; that "each one of these settlements was separate and distinct." (R. 662.) "Whether or not a license should be granted was determined entirely by Washburn and Ellwood; the applicants were required to make application in writing to defendant * * *." *

"After these applications were received, Washburn and Ellwood looked over them, consulted those whom they thought knew in regard to the character of such application, including myself (Millington) sometimes Stiles, sometimes others. Then they would determine whether or not they would grant a license." (R. 662.)

Washburn and Ellwood alone determined the number of machines, the style of wire, the amount of tonage, the place of manufacture, the amount of *bonus* to be charged, the amount of rate of back damages, and "*the length of time they thought best they would grant such licensees in which to pay back such damages.*" (R. 663.)

"Each license was granted on its own merits, without any consultation with more than the applicant, when the business was actually closed with him." (R. 467.)

All these settlements were made under the advice of their (appellee's) attorneys, who were then present." (R. 663.)

"If Washburn and Ellwood refused to grant a license, nobody else had power to grant it." (R. 662.)

* The form of written application, to appellee *and* I. L. Ellwood, for a license is found on page 328 of Record.

Ellwood says he and "Washburn conducted the business in these negotiations in connection with the attorneys," and that he "talked with Stiles about the financial standing and ability to manufacture," (R. 694) but made no claim that Stiles had anything to do with any settlement.

When Stiles was consulted "It was simply for the purpose of getting his opinion as to the standing of such applicant, on account of his knowledge of the barbed wire." (R. 671.)

Washburn says the talk with Stiles and Calkins as to any applicant for license was simply "in an informal way;" (R. 488 *937.) and that no license was granted or refused by reason of any act of appellant. (R. 472, 482.)

It was but natural, five years having elapsed after making the contract between appellant and appellee, and few licenses having been theretofore issued by appellee, that when the decision was rendered sustaining appellant's patents, and with but *four* years of its contract remaining unexpired and when parties were eager for licenses, that appellant should show interest in the granting of such licenses.

Aside, however, from information furnished by appellant when requested, as to the character and financial standing of applicants for licenses, appellant was treated as an utter stranger by appellee—given the "cold shake,"—"cold shoulder" as expressed by Stiles. None of its officers were present at the closing of a single settlement with any licensee.

Stiles testifies: "My connection with the settlements that were made between the Washburn & Moen Manufacturing Co. and the various parties to whom they granted licenses in the months of January and February, 1881, was, I had spent some time for the Washburn & Moen Manufacturing Co. on one matter and another before and about the time the decision was rendered, and had been with Mr. Dodge several times after the decision was rendered. He was here waiting for Mr. Washburn to come—it seems to me he was in Europe. And after Mr. Washburn came, and when they all got together, they just gave me the 'cold shake' and I could not find out anything about what they were doing. I did all I could to get the licensees in to take licenses. but Mr. Washburn would not tell me what settlements they were making with them at all, neither would the licensees after they had got their licenses. There seemed to be a sort of secret initiation they had. and they would not tell anything about it." * * *

"Neither the Washburn & Moen Manufacturing Co., or any one

acting for them, when these licenses were being granted consulted us as to any individual settlement as to the terms on which they settled and granted licenses." (R. 240.)

"I was present only a portion of the time at the Grand Pacific Hotel in Chicago, in the months of January and February, 1881. * * * I found that they did not want me present when they were making these arrangements, and I stayed away considerable, except some occasions when the parties would want me to go up there. I was anxious to have them all licensed, and have the matter settled up. * * * The matters with respect to which there was secrecy, as I have stated, were the tonnage granted to the particular licensees, and the amount of back damage or bonus paid by them. (R. 244.)

"I went up to the Grand Pacific Hotel when they were granting these licenses and supposed they would want me to assist them, and were willing that I should know all about it; but I very soon found that they gave me the cold shoulder *and never allowed me in the room where they were*, and seemed to want to keep everything from me about it, especially what the back damages were, and what settlements they were making; and I asked Millington to give me some information sometimes, and Millington told me that he would, *but he didn't do it*. I soon found that he was afraid to do it. *He said they didn't want me to know about it*, and after following the thing up for a few days I just left them and didn't go near them any more. I never was present in the rooms occupied by Mr. Washburn or Mr. Ellwood, or anybody representing Washburn & Moen Manufacturing Co. * * * I never saw one of the licenses." (R. 259.)

Calkins says, "Stiles was around the Grand Pacific more or less during the months of January and February 1881, but he repeatedly stated to me at that time, that he could not learn anything what Washburn & Moen Mfg. Co. were doing, any more than that they were making settlements; but what the nature of the settlements were he did not know. * * * He used to state to me that he could not get access to their presence." (R. 153.)

That so far as he knew, no officer of appellant was ever present at any settlement. He was not present nor did he have anything to do with any settlement made with any licensee in January and February, 1881." (R. 95. 97.)

Millington says, that "I could not give perhaps now a single instance, when (Stiles) was in the room when the license was signed. * * * "A greater part of the time Mr. Stiles was among the licensees and *not in the room*," where settlements were being made; (R. 663.) As to John W. Calkins, he says: "I do not think John W. Calkins was there very often. * * * I don't know that he ever was in the rooms when settlements were being made." And as to W. T. Calkins he says: "I don't think he was in the rooms when the settlements were made." (R. 654.)

Mr. James H. Raymond, attorney for the Western Railway Association, representing 50,000 miles of railroad, users of barb wire was

retained by appellee, as one of its active counsel, during these settlements. (R. 324.) He says: "I was at the Grand Pacific Hotel when the licenses were granted during January and February, 1881, *nearly every day* * * * I don't know that I ever saw Mr. Aaron K. Stiles and I am sure I never had the pleasure of meeting Mr. Calkins, until within the last five minutes. Neither Mr. Aaron K. Stiles or Mr. J. W. Calkins were in the rooms." (R. 325.)

Appellee introduced two licensees as witnesses. One (Dillon) says nothing about either Stiles or J. W. Calkins being connected with his settlement (R. 696); and the other (Baker) says the settlement with his company was "negotiated by representatives of (appellee)"; that he had no conversation with Stiles; that Stiles had no conversation about licenses; and that Calkins was not about the hotel at all. (R. 713.)

That the granting of licenses was conducted solely by appellee and Ellwood is also shown by the only contemporaneous writing in evidence.

When appellant wanted a license from appellee to make barb wire of other styles than the Kelly style, it was required to make written application to appellee therefor. When appellee got ready, its counsel, (Dodge) wrote appellant, February 18, 1881:

Mr. Washburn had intended to have taken up your application for license." etc., and that Washburn requested him "to notify you that he (Washburn) would take up and consider your application for license at 2:30 P. M. on Monday next, February 21, *at which time he would be pleased to have you present* and make such complaints and arguments in support of your application for license as you may desire." (R. 226.) This was the same course pursued by appellee towards every applicant for license.

Why the necessity of three days written notice to appellant to be present, and of Washburn's intention to take up appellant's (the same as every other) application, if appellant's officers were continuously present and making these settlements? Calkins says appellant had no way of knowing of these settlements until appellee made its report. (R. 95.)

That appellant did not know what these settlements were is shown further by the fact that when the first monthly statement of royalty was rendered after Washburn returned to Worcester in February, there having been no report for royalty by certain of the licensees

whose names appeared upon the printed report, appellant wrote, on March 25th, 1881, "We notice that H. B. Scutt & Co., Watkins & Ashley and others failed to report, is there any exceptions or conditions in their contracts which exempts them from reporting each month?" (R. 506.) Appellant was then still in the dark as to the terms of these settlements. The evidence conclusively shows that these licenses were issued solely by and as Washburn and Ellwood wished; and that if Stiles or Calkins were consulted at all, it was as Washburn testifies, only "in an informal way."

It is averred in the bill, that appellee, as a rule, required each applicant, as a condition of granting a license, to pay it "the sum of 60c. per 100 lbs. as damages for infringements theretofore committed by such applicant upon the barb wire patents owned or controlled by (appellee) *including the letters patent transferred by (appellant.)*" (R. *53.) This is admitted in the answer. (R. *65.)

It is also averred in the bill and admitted in the answer, that the licensees transferred to appellee certain Letters Patent, relating to barb wire and machinery; and that appellee paid for such patent properties "by an abatement or deduction of 5c. to 10c. per 100 pounds from the amount of money due from such applicant in the settlement of said damages for past infringements." (R. 32.)

All the witnesses state that 60c. per 100 lbs. was fixed upon by appellee as the amount of damages for infringements committed prior to the date of the licenses.

There is no controversy over this point.

Appellant knew that appellee was collecting back damages. Calkins says at that time, "We supposed they had been exacted and collected" by appellee. (R. 149.)

It was appellee's duty under its contract to have collected the back damages in cash, and Stiles testifies, he never saw the back damage note but always supposed that these back damages had been collected in cash or its equivalent to appellee, *i. e.*, regular notes. (R. 258.)

Calkins says that Washburn told him at the time of these settlements that this 60c. damages thus collected *included damages due appellant for past infringements upon the Kelly patents.* (R. 84. 158.)

When, in October, 1880, appellant wrote that if the decision in the barb wire cases should be favorable to appellee, that it would "*insist* upon (appellee's) collecting all the damages you can," (R. 286), appellant had the right to expect that appellee would, as was its duty under § 3, of the contract of July 3, 1876, "render a statement in writing" of moneys collected and paid it on account barb wire and pay the same to appellant. Not only did appellee refuse to render such a statement of the moneys so collected, but it also refused to pay the amount of damages collected by it and due appellant.

The amount of wire previously manufactured by each licensee, and on which the damages were computed was stated in the written applications for license. Washburn kept memoranda and books of the amount thus collected. (R. 414, *778.) Appellant asked appellee for information as to this amount. When requested by appellant for such information, if appellee had observed the fair dealing and good faith due appellant it could and should have furnished such information. Appellant was, however, kept in utter ignorance in 1881, of the amounts of money received by appellee for past damages or bonus money or the amount allowed or paid by it to any licensee for patents. *It does not yet fully know.*

Washburn, who conducted these settlements for appellee, testifies: "We did not in January or February, *or at any time*, furnish (appellant) with a statement of the amount of money (appellee) received by way of bonus or back damages from licensees to whom licenses were then granted." (R. 473, *900.) His letters, written from March to July, 1881, support this statement.

Stiles says Ellwood gave no information as to these settlements. (R. 281.)

Ellwood admits that he testified (in another suit before the case at bar was instituted), "Washburn and myself talked it over to keep that (damage money) strictly confidential, that one should not know what the other had paid. I remember now how we were annoyed by licensees coming and asking what such a man paid." (R. 694.)

Millington says, that neither Ellwood or Washburn "told Stiles of the amount of back damages to any licensee. * * * Neither of them did it in my presence." (R. 663.)

Raymond, appellee's attorney, says: "*It was a matter of public*

notriety at that time, that after having settled they (the licensees) would say to their co-defendants, that they had not settled and were not going to settle. The other applicants for license, excepting the particular one to who n the license was being issued, were not permitted in the room, while such license was being issued." (R. 325).

Gary Calkins, a director of appellant, testifies: "I tried to get all the information I could from Mr. Stiles, or anybody else; * * * Mr. Stiles said he could not get much information, they were 'as close as clams' at the Grand Pacific, and he was quite incensed, for he was treated as nobody." (R. 319).

The reason of this difficulty in obtaining information is plain.

Stiles testifies, that at one time when Calkins was present they brought up the subject of the amount of money received; that "Mr. Washburn agreed to send a statement of the whole thing *as soon as they got their papers together, and got back home.* He said he would send it to the Thorn Wire Hedge Co. * * * I went up there one night with Mr. Calkins on purpose to find out what they were going to do about it, how much they had received, and how much we were going to get out of it, *and they said they would make a statement when they got back home.*" (R. 240).

"Washburn & Moen Manufacturing Co. did not inform us of the amount of back damages any such licensee paid to them in any case" nor "the amount of back damages they had received prior to the time we settled with them in July, *nor at any time.* I never knew. I don't now." (R. 241).

"I never knew what bonuses were paid by any body for licenses." (R. 247.)

"I did endeavor to find out from the licensees the terms on which such licensees settled as to the amount of back damages or tonnage granted. I tried a number of them. They did not tell me, and in some instances they said they had promised not to tell what it was." (R. 241). Appellee "seemed to want to keep everything from me about it, especially what the back damages were, and what settlements" they were making. (R. 259).

J. W. Calkins says: "Mr. Stiles was around and about the Grand Pacific more or less during the months of January and February, 1881, but he repeatedly stated to me at that time that he could not earn anything about what Washburn & Moen Manufacturing Co. were doing, any more than they were making settlements. * * * He used to state to me that he could not get access to their presence." (R. 153.)

"We demanded from Washburn a statement of the amount of back damages which had been paid or agreed to be paid to his company. He did not give us a statement in answer to such requests.

He claimed at one time in a personal interview, I think it was in February, *that he did not know the amount;* that they had been forwarded to Worcester and didn't know how much they amounted to, but would send them. (R. 96.)

"I had a conversation with Mr. Charles F. Washburn in regard to the amount of back damages that company had received. I asked him at that time how much they amounted to, and Mr. Washburn stated that he had not the figures, that they had been sent to Worcester, and therefore, (he) could not tell. We asked him about how much and he said '*really I don't know; I am not prepared to say.*'"

"We asked him then to furnish us a statement. * * * He said that he would send back to Worcester *and have them send up the statement.*" (R. 105.)

Washburn admits these conversations with Stiles and Calkins as detailed by them, does not deny them, but testified on cross-examination that he "Said we would give attention to that matter after we had returned home." (R. 473.)

Calkins says: He made no further inquiries among the licensees. because he supposed appellee "would report in due time" under its contract. (R. 97.) Appellant was not required to seek information elsewhere.

Kilburn v. *Sunderland*, 130 U. S., 505.
Krohn v. *Williamson*, 62 F. R., 869.

Appellee afterwards put one Millington, one of its employees and a detective, (R. 687.) on the stand, and endeavored to weaken this positive testimony of Washburn, and attempted to show that Millington gave some information to appellant. Yet Millington could not give the name of a single licensee with whom settlement was made when Stiles was present. (R. 662.) He says that a greater part of the time Stiles was about the hotels and not in the room when settlements were made. (R. 662.) And that Calkins was not there at all. (R. 664.)

Millington says: "Stiles always inquired of me from time to time for information." (R. 663.)

Stiles says: "I asked Millington to give me some information sometimes, and Millington told me that he would, but he didn't do it. * * * *He said they did not want me to know about it.*" (R. 259.)

Appellee offered in evidence below certain papers or memoranda testified to by Millington, from which it there argued that appellant

must have known the amount of such back damages. Appellee has abandoned this position; and appellee has not deemed these papers of sufficient importance to incorporate many of them in the record.

All Millington did, as to furnishing information, is summed up in his cross-examination, when he says: "I don't know as it was specific as to any particular settlement. I tried to keep them posted on all matters generally pertaining to the suits, I mean when the settlements were going on—*who they settled with.*" (R. 664.)

This is not information as to amounts of bonus and back damages.

That any information was given appellant by appellee as to the amount of bonus or back damage money, rests solely upon the uncorroborated and contradictory testimony of Millington, as against the positive testimony of Stiles, the two Calkins, who deny it, the positive testimony of Washburn who says he did *not* give such information, and the testimony of Raymond and Ellwood who say these matters were kept a secret. The course of business as shown by Ellwood and Raymond, as well as the evidence of Washburn—all officers or counsel for appellee—and the subsequent correspondence between appellant and appellee shows that no information or statement was furnished appellant by appellee or under its authority in January, or any other time, as to the amount of back damages and bonus money collected, or as to the amount allowed for patents transferred to appellee.

Having made such settlements and issued such licenses as he desired, Washburn returned to Worcester in the latter part of February.

In the latter part of February it immediately proceeded to enter upon its books as due appellant back damages at the rate of 15c per 100 lbs. upon every pound of barb wire for which it had settled with any licensee. (R. 413.) Appellee not only made such entries upon its books crediting this money as due appellant for and on account of back damages, but it, also at the same time, made entries upon its books of royalty due Glidden and Putnam, whose contracts, Washburn says, were identical with its contract with appellant.

Having the information before him, Washburn could easily have complied with the request of appellant and the promise made by him, to send such statement upon his return to Worcester. There was no

controversy between appellant and appellee as to appellant's right to recover for back damages, prior to the return of Washburn to Worcester.

(3) Appellant not receiving either the statement of back damages and bonus money collected, or the regular monthly statement when due, on March 21st, wrote appellee: "We have not yet received report of sales for month of February, *nor official notice of settlement* with the various infringing companies, *all of which should be due* by the 15th of this month." (R. 184.) Appellee answered: "With reference to official notice of settlements with the various infringing companies, etc., we shall *defer making our report* on that subject until we have had an opportunity of seeing Mr. Ellwood here in Worcester. which will happen early in the month of April." (R. 184, Ex. 16.)

Appellee does not deny its liability to appellant, or its duty to make such report to appellant, or that it had promised to furnish such statements to appellant. It admits its liability to appellant and promises to make their report as to the money collected for back damages when it confers with Ellwood in April just as positively as Washburn did when in Chicago in February.

Appellee refusing to make this report in April, as it promised to do, appellant on May 12th wrote appellee as follows:

While appellant "Acknowledges the receipt of the monthly and quarterly reports made to it by appellee on the 30th day of April and the 4th and 6th days of May, 1881, it does not accept the same as correct or as giving a just and true amount of the sums due the Thorn Wire Hedge Co. from the Washburn & Moen Manufacturing Co. under the various contracts between them, for the following among other reasons:

"*First*—The reports rendered fail to give the Thorn Wire Hedge Co. credit for its share (a quarter of a cent per pound) of the royalties received by the Washburn & Moen Manufacturing Co. from infringers of the Kelly patents, with whom it has made settlements.

"*Second*—The report credits the Thorn Wire Hedge Co. with a royalty of 15 cents on each 100 pounds only on the wire on which the Washburn & Moen Manufacturing Co. admits its obligation to pay royalty, whereas the Thorn Wire Hedge Co. claim that the Washburn & Moen Manufacturing Co. by refusing to reduce its royalties as agreed, and to license parties at 75 cents per 100 pounds, and by exacting from others a bonus in addition to the 75 cents, has violated the agreement of August 7, 1879, and thereby released the Thorn Wire Hedge Co. from its agreement to reduce royalties to the Washburn & Moen Manufacturing Co. of 15 cents. We, therefore. thought it best, and due you, to give you notice in substance of our

position, and will furnish you, at an early day, a written opinion from our attorney." (R. 184, Ex. 17.)

(*a*) Upon Ellwood visiting appellee instead of making a report and remitting the money on April 1st, as in duty bound under its contract, appellee refuses to make the report it promised to make, but (on April 25th R. 506.) sends an opinion of its attorney, Dodge, (R. 507, Ex. 116), denying any trust relation and claiming that appellee is not liable to appellant for any of the bonus or back damage money, and then refuses to render appellant the statement which it had repeatedly promised to make.

Appellee in this letter, for the first time, denied that it was its duty to either render appellant a statement of the amount collected for any back damages, or to remit for the same, and makes this defense in its answer. (R. 40.) In denying and continuously insisting upon the denial this relation appellee was guilty of a fraud upon appellant.

In *Scanlan* v. *Scanlan*, 134 Ill., 640, the Court say:

"The denial by a trustee of the trust relation is a breach of trust and a flagrant fraud. Appellee has in his answer denied the trust relation which we find existed between himself and his deceased brother, and has sought, by pleading the Statute of Frauds, and in various other ways, to avoid the consequences of the existence of such relation. * * * We understand the doctrine to be, that the denial by a trustee of the trust relation is a fraud, which taints with fraud all his dealings with his *cestui que trust* which transpires at the time of such denial or subsequent thereto, and into which such denial enters."

Upon receipt of Dodge's opinion appellant submitted its contracts to Judge Lyman Trumbull, and mailed a copy of his opinion to appellee on May 16th. (R. 509, Ex. 117.)

(*b*) This opinion of Judge Trumbull (R. 509. Ex. 18.) is clear, logical, and so far as it goes, unanswerable. It answers fully every point raised by Dodge. We adopt it as part of our argument.*

---

*Opinion of Lyman Trumbull, Esq.

Chicago, May, 13, 1881.

A. K. Stiles, Esq., Dear Sir:

I have examined with some care the various agreements between the Thorn Wire Hedge Company and the Washburn & Moen Manufacturing Company, and also the opinion of Thomas H. Dodge, Esq., upon certain

It must be borne in mind, however, that Mr. Trumbull's opinion was written when facts and correspondence, now for the first time shown, in the record, were not before him, which if known, would have made him more emphatic in his opinion that appellant was entitled, under the terms of the contract, to recover from appellee, a royalty of 25c. per 100 lbs. upon all barb wire manufactured and sold or licensed to be manufactured, and sold, or for which appellee received pay

---

questions which have arisen under said agreements, and will give you the result of my investigations upon the questions you have submitted for my consideration, based upon said agreements, and the subsequent action of the parties under them, as shown by their correspondence and otherwise.

First. As to the right of the Thorn Wire Hedge Company to share in the damages, profits or royalties received by the Washburn & Moen Manufacturing Company, on settlement of suits brought or otherwise, from parties who infringed the Kelly patents, or either of them, after the agreement of July 3, 1876; and who, at the time of said settlement and as a part thereof, took licenses from the said Washburn & Moen Manufacturing Company for the future manufacture and sale of barbed fence wire under the Kelley and other patents, for which they agreed to pay said company a bonus, besides a royalty of seventy-five cents for each one hundred pounds of barbed fence wire manufactured and sold by them.

Mr. Dodge construes the eighth section of the agreement of July 3, 1876, in which the Washburn & Moen Manufacturing Company agree to pay a royalty of three-eighths of one cent per pound "upon all wire upon which they shall recover from past infringers of said reissue patents, or either of them, under any suit or suits which they may hereafter institute and prosecute to final judgment, or which may be settled without judgment by payment of royalty by the defendants," as applicable only to "barbed wire previously made," and reaches the conclusion that there is no provision or agreement which requires the "Washburn & Moen Manufacturing Company to pay the Thorn Wire Hedge Company any part of the damages recovered or received in settlement for infringement of said Kelly patents or either of them, since the date of said agreement of July 3, 1876, provided such wire was made and sold without the authority of the Washburn & Moen Manufacturing Company, by license or otherwise." Mr. Dodge may be right in his construction of the eighth section, standing by itself, though its terms are general and apply to any suits which the Washburn & Moen Manufacturing Company might thereafter institute. But whether this be so or not, there are other provisions in the agreement of July 3, 1876, which, taken in connection with the action and admissions of the parties under that agreement, would seem to make it clear that it was the intention of the parties to it, that the Washburn & Moen Manufacturing Company should pay the Thorn Wire Hedge Company the stipulated royalty upon all the barbed fence wire manufactured and sold under the Kelly patents or any one of them, and for which the Washburn & Moen Manufacturing Company should "receive pay in any form." It is the receipt of payments by Washburn & Moen Manufacturing Company from parties who manufacture and sell the barbed wire under the Kelly patents, that creates the obligation to pay the royalty to the Thorn Wire Hedge Company.

By the third section of the agreement of July 3, 1876, the Washburn & Moen Mfg. Co. agrees "to keep separate and accurate accounts of the entire product manufactured and sold under the said patents, and of the part of said product for which they shall actually receive pay in any form," and by subsequent provisions they are required at stated periods to render to the Thorn Wire Hedge Co. a statement of the actual amount for which payment shall be received by them, under the agreement, accompanied by a remittance of such portion of the amount received as shall be due said Thorn Wire Hedge Co. under the provisions of the agreement. It was under the provisions of this agreement that the Washburn & Moen Mfg. Co.,

subsequent to December 8th, 1878. His opinion relates solely to propositions of law and not to facts. The facts were not and could not have been fully before him. Is there any doubt what his opinion would have been had he known the facts developed ten years afterwards upon taking of the evidence in this case; that at the very moment appellee sent Dodge's opinion *denying* its liability to appellant, appellee had been and was *then entering* and continued to enter

---

as assignee of the Kelly patents, were able to collect from the parties who infringed them the sums they did, and the agreement seems to require that company to account to the Thorn Wire Hedge Company for its proportion of the royalties or amount received by the Washburn & Moen Mfg. Co. on account of its ownership of the patents, no matter in what form received.

When the Washburn & Moen Mfg. Co., by agreement with infringers, received from them royalty or pay for the wire they had previously manufactured and sold and permitted its continued use, and for a consideration licensed such infringers to manufacture and sell in the future, I think it operated virtually as a license from the beginning, so far as the parties and the Thorn Wire Hedge Co. are concerned; and that the Washburn & Moen Mfg. Co., after having ratified and confirmed the previous manufacture and sale, and licensed the future use of the wire by the receipt of royalties therefor, should not be permitted to say that such manufacture, sale and use were without their authority. That the Washburn & Moen Mfg. Co. understood the agreement of July 8, 1876, as securing to the Thorn Wire Hedge Co. a share in the royalties and profits which the former should collect or receive from infringers subsequent to the transfer of the patents is apparent from their subsequent acts and admissions.

By the agreement of December 2, 1878, between the parties, the Thorn Wire Hedge Co. is asked by the Washburn & Moen Mfg. Co., to release it from any claim the former may have against it on account of the selling of their respective barbed wires by the Ohio Steel Barb Fence Co., Jacob Haish, The Joliet Wire Fence Co., and H. B. Scutt, and James Ayres and Alexander C. Decker, on condition that the said Washburn & Moen Mfg. Co. make a settlement with said parties, or either of them, whereby it condones or waives the past royalties in the settlement of the suits which it has pending against them, or either of them.

Mr Dodge assumes that claims existed against these parties for infringements of the Kelly patents prior to their assignment, and that it was therefore proper that the Thorn Wire Hedge Co. should be asked to release them. While this assumption may be correct, as to some of the parties named, others, I am informed, had not had anything to do with the manufacture and sale of barbed wire prior to the assignment of the patents.

As to such parties, the agreement of December 2, 1878, upon Mr. Dodge's theory, does amount to an admission, by the Washburn & Moen Mfg. Co., that the Thorn Wire Hedge Co. had a claim for infringements subsequent to the assignment of the patents. Such claim is also recognized in the contract of December 18, 1878, between said Washburn & Moen Mfg. Co. and H. B. Scutt & Co., and, as is understood, in the correspondence between the Washburn & Moen Mfg. Co. and the Thorn Wire Hedge Co., and by the repeated acts and declarations of the officers of the Washburn & Moen Mfg. Co. in settling with parties for infringements of the assigned patents, and otherwise. It having been the understanding and intention of the parties to the contract of July 8, 1876, at the time it was entered into, that the Thorn Wire Hedge Co. should receive the stipulated royalty upon all the barbed wire for which the Washburn & Moen Mfg. Co. should recover damages or royalties from infringers, by suit or settlement, if, in drafting the agreement, through mistake of the scrivener, a clause to that effect was left out, a court of equity would correct the mistake, and reform the agreement so as to conform to the intention of the parties.

until August 1st, as a credit upon its books, *as due from it to appellant*, the sum of 15c. for every 100 lbs. of barb wire for which it received pay in settlement of back damages from its licensees? (R. 414).

The quarterly reports of royalty rendered by appellee to appellant (Ex. 125–126, R. 1198–2000) show that appellee had collected royalty on 27,259,611 lbs. barb wire, between Jan. 1, 1881 and July 30, 1881. Appellee collected royalty at the rate of 10c. per 100 lbs. on this wire, from each licensee, in addition to and at the same time such licensee paid the stipulated royalty of 75c. under the license, as, for and on account of back damages. One quarter, *at least*, of this (15–60) was due appellant.

II.

The claim of the Washburn & Moen Manufacturing Company to a rebate in the royalties agreed to be paid by reason of the invalidity of division B of one of the reissued Kelly patents, if such be the fact, is, I think, without foundation.

The agreement of the Washburn & Moen Manufacturing Company, by section 2 of the contract of July 3, 1876, was to pay royalty upon all barb fence wire manufactured, etc., under "said several letters patent, or any one of them."

Manifestly, so long as the Washburn & Moen Manufacturing Company continue to manufacture and sell under any one of the assigned patents, they are bound to pay the agreed-upon royalty.

The agreement was not that the Washburn & Moen Manufacturing Company should pay a certain royalty ratably in proportion to the number of the assigned patents they manufactured under, but it was absolute that they should pay the amount of royalty agreed upon if they manufactured and sold under any one of the assigned patents, and there is nothing in the ninth section of the agreement to the contrary.

It is only in case the title to the letters patent, and the consideration for the agreement fail, that the Washburn & Moen Manufacturing Company are to be relieved from the payment of royalties. There is nothing in the ninth section about a rebate in the royalties to be paid in case the title to a division of one of the patents should fail, and to give it such a construction is inconsistent with the agreement to pay the stipulated royalty upon the manufacture, etc., under "any one" of the assigned patents.

III.

The amount or percentage of royalty which the Washburn & Moen Manufacturing Company was required to pay by the original contract of July 3, 1876, was three-eighths of one cent per pound on the barbed wire manufactured, etc. This was reduced by the contract of December 2, 1878, to one-fourth of a cent a pound: and again, by the contract of August 7, 1879, to fifteen cents per one hundred pounds, which last sum is the amount the Thorn Wire Hedge Company is now entitled to demand, as shown by the face of the contracts; but if, as is alleged, the Washburn & Moen Manufacturing Company have refused to perform their part of the agreement of August 7, 1879, which formed the consideration for the agreement to reduce the royalty by the Thorn Wire Hedge Company to fifteen cents per hundred pounds, then the latter company is not bound to make such reduction, but is remitted to its right under the contract of December 2, 1878, and is entitled to demand from the Washburn & Moen Manufacturing Company a royalty of one-fourth of one cent a pound on all the barbed wire manufactured and sold by it, or

Willard, appellee's bookkeeper, says that from Jan. 1, 1881, up to the first day of August, 1881, "The royalty due The Thorn Wire Hedge Co., on account of back damages was entered upon our books at the rate of fifteen cents per hundred pounds." (R. 414).*

There was charged up then on the books of appellee as due appellant, at least $6,863. for such back damages, collected prior to the 27th of July, from those of the licensees who had not paid for such back damages in cash.

This fact was deliberately concealed from Mr. Trumbull and appellant, by appellee. His opinion was based upon imperfect information as to the exact state of facts.

---

under its authority, since December 2, 1878, less the percentage already received.

By the contract of August 7, 1879, the Washburn & Moen Manufacturing Company and the Thorn Wire Hedge Company mutually agreed, in substance, that, for the purpose of increasing the manufacture and sale of the barbed fence wire mentioned in previous agreements, and inducing other parties to pay royalty thereon, they would severally reduce the royalties theretofore demanded by each. The Thorn Wire Hedge Company agreeing on its part to reduce the royalty to be paid to it per pound by the Washburn & Moen Manufacturing Company to fifteen cents per hundred pounds; and the Washburn & Moen Manufacturing Company agreeing on its part to reduce the royalty to be paid it on account of its ownership of any patents used in the manufacture of said wire by it, or its licensees, or who should thereafter be licensed, to at least seventy-five cents per one hundred pounds.

It is understood that since the making of the contract of August 7, 1879, the Washburn & Moen Mfg. Co. has refused, and still does refuse, to reduce the royalty required to be paid it by its licensees, on account of its ownership of the patents mentioned to seventy-five cents, and in some instances where it has licensed parties to manufacture and sell the wire on paying a royalty of seventy-five cents per hundred pounds it has exacted from said parties a bonus, in addition to the seventy-five cents, for granting such licenses.

Under the contract of August 7, 1879, the Washburn & Moen Mfg. Co. has no right to exact from its licensees more than seventy-five cents per hundred pounds for the wire they manufacture and sell, and to exact from them a larger sum, directly or indirectly, by way of a bonus or otherwise, would be a violation of said contract. A party who by indirection evades his obligations has no better standing in a court of equity than he who openly violates them.

It would serve no purpose in inducing other parties to take out licenses and pay royalties for the Thorn Wire Hedge Co. to reduce the amount required from the Washburn & Moen Mfg. Co. if that company was to fail to reduce the amount to other parties.

Assuming that the Washburn & Moen Mfg. Co. has violated, and refused to comply with, the contract of August 7, 1879, in the manner stated, I am of the opinion that the Thorn Wire Hedge Co. has a right to demand from it a royalty of a quarter of a cent a pound, less the percentage of royalty already paid, on all the said barbed fence wire manufactured and sold since December 2, 1878, by the said Washburn & Moen Mfg. Co., or under its authority, or by its licensees, or by infringers, and for which the Washburn & Moen Mfg. Co. has received pay.

Yours respectfully,

Lyman Trumbull.

---

*The manner of making such entries is shown on pages 413 and 414, of Record.

(c) Dodge's argument (R. 507 Ex. 16.) (adopted below *in toto* by appellee's counsel) is biased, narrow and hardly rises to the dignity of even special pleading. It purports to be based solely upon the original contract of July 3, 1876. He simply says there is no express language that appellee shall pay royalty upon wire sold prior to date of license for which appellee received pay in settlement of damages for infringements subsequent to July 3, 1876. He overlooked entirely the supplemental contracts of Dec. 8, 1878 and August 7, 1879. We have already conclusively shown, that the contracts of the parties, by their express terms, as well as by the contemporaneous interpretation put thereon by the parties, contemplated that appellee should pay appellant royalty upon each pound of that "part of said product (barb wire) for which (appellee) shall receive pay in any form," from all sources, from any person whether before or after licenses.

We have also shown, that by exacting the bonus money, appellee was not complying with the conditions of the supplemental contract of August 7th, 1879, and have thus answered the first four propositions of Dodge's opinion.

Appellee always claimed that every style of wire made by its licensees and upon which it received back damages, did infringe the Kelly patents. And the same styles of wire are made exhibits to each license. Dodge admits (5th & 7th propositions) that appellee is liable to appellant for a royalty of 15c. upon all of this wire on hand at the date of settlement, and sold prior to the date of the license, and urges appellee to ascertain this amount of wire and make a tender to appellant of such royalty. (§ 7, R. 508.) Appellee has never informed appellant of the amount of such wire and has never made such tender to appellant.

The first license is dated January 21, 1881. (R. 377). The written applications for licenses show the amount of wire manufactured prior to January, 1881. The statements rendered by appellee for January and February (R. 1132), show sales only upon wire manufactured under and after date of license. How much this royalty on the barb wire, on hand at date of such license, would amount to does not appear, but the books of appellee should show.

If the wire which each licensee had on hand on the day of his settlement with appellee and which was the same style of wire

previously made and *subsequently* licensed under the Kelly patent, and on which the licensee paid a monthly royalty of 10c on account of back damages, does it not also follow that for this same wire previously made and for which appellee received pay as damages for past infringements at the rate of 60c. per 100 lbs. that appellee should account to appellant for the agreed rate of royalty? Under what provision of the contract does Dodge make appellee liable to appellant on the wire on hand on date of license for which it receives royalty, and exempts appellee for the same wire sold the day — or year — before, for which appellee claims the same royalty?

(*d*) As to Dodge's 6th proposition, (R. 508.) In § 4 of the contract of July 3, 1876, appellee covenants to prosecute infringers of the Kelly patents; in § 8 of this contract, it is specifically provided, that appellee will pay appellant ⅜c. per pound "upon all wire which they shall recover from past infringers * * * under any suit or suits which they may *hereafter* institute and prosecute to final judgment, or which may be settled without judgment by payment of royalty."

The only known makers of barb wire, on July 3, 1876, aside from appellant and appellee were, Scutt, Haish & Kennedy. Yet on December 8, 1878, appellee had 16 suits (R. 437.) against as many infringers in the circuit below alone. Expecting to settle with certain of these defendants, appellee procured from appellant a release as to six of these defendants as to the back damages, which might be recovered in these suits. It then availed itself of this release as to Scutt as well as the Ohio Steel Barb Fence Co.

A complete answer to this sixth proposition is also found in the fact that under the contract appellee could only use the name of appellant in suing past infringers for damages prior to July 3, 1876.

These suits were brought in the name of appellee against Scutt, O. S. B, F. Co. and Haish — and not in the name of appellant. They were for damages after July 3, 1876.

Again, three years later on July 27, 1881, (and three months after appellee had sent said opinion of Dodge denying its liability therefor), appellee asks for and procures from appellant a release "from damage money, or other property which may thereafter be recovered or received from James H. Coon, in the settlement" of two suits which appellee had *then* pending against Coon, an infringer, in Iowa. (R. 210.)

Neither the Ohio Steel Barb Fence Co., the Joliet Enterprise Co. James Ayers or Alexander Decker, as to whom appellant granted appellee a release for claims for back damages, on December 8, 1878. nor James H. Coon were in existence, prior to the assignment of the Kelly patents to appellee.

(*e*) The claim or decision which was held void was the 2nd claim, of Division B. of the Kelly Re-Issue patent 7036, as to the nature of "a point at the end of a wire barb." Appellee at the time the decision was rendered, considered this to be of no moment or value and exercised its "election" to continue to manufacture under the contract of July 3, 1876, by thereupon immediately proceeding to issue 48 licenses under the Kelly patents. The matter was not thought of, or mentioned until Dodge to enable appellee to escape its covenants, for want of a better pretext, seized upon this. If for this reason appellee could escape its liability to appellant for royalty for past infringements, it could, with equal propriety, escape its covenant as to payment of all future royalty. No claim was ever made by appellee that it suffered any damage by reason of the adverse decision on this one claim of one of the patents transferred to appellee.

The 9th Section of the contract, however, was intended for and covers another purpose. Appellant did not furnish an abstract of title to the patents sold. Stiles and Calkins testify that this 9th provision was inserted for the reason that appellee had not then examined the records at the patent office and it was not then known whether a satisfactory record title could be furnished. (R. 106). On August 5th following Washburn wrote appellee "We are this morning in receipt of the papers from Washington needed by us to make our record title complete." (R. 552, Ex. 94). This legal title never failed.

(*f*) We would suggest the following, additional to Judge Trumbull's opinion, as to Dodge's position. The 9th Section of the Contract was not intended to apply to Dodge's premises. It is stated in the subsequent contract of June 12, 1883, by the "original agreement and subsequent amendments Dec. 8, 1878 and August 7, 1879) it is left contingent, or *at the option of* (*appellee*) to discontinue the payments of royalties to (appellant)." This option it exercised under the terms of the 5th Section which provides that if appellee shall discontinue *permanently* to manufacture wire under appellant's patent, then upon written request appellee will re-transfer the patents to appellant.

Appellee was not compelled to manufacture wire if it did not choose to do so. If it was not content with appellant's patents it could at any time discontinue manufacturing and terminate the contract. But so long as the contract of July, 3, 1876, was in force, and appellee manufactured and sold or licensed to be sold, wire "under said patents, *or any one of them*," it was bound to pay the stipulated royalty.

Pope Mnfg. Co. v. *Owsley*, 27 F. R., 100.
Kirkpatrick v. *Pope Mnfg. Co.*, 64 F. R., 369.

(4) Upon the receipt of the opinion of Mr. Trumbull, appellant hoped that appellee would, as it should, render a statement and pay for such past royalties according to its contract. Instead of doing so, Washburn on June 6th, wrote, again inclosing a copy of Dodge's opinion, but abandons its illegal position and asked appellant "in the spirit of *generous concession* to *concede*" that the several positions Dodge has taken are correct: and gives as the reason for this "generous concession" the great expense it had borne in conducting the barb wire litigation. Washburn wrote "That if we should adopt the views in equity suggested by your counsel for the division of the bonuses and damage money, *this company would first be entitled to re-imburse itself for the expenses in litigating the Kelly patent* before making any division, *in which case there would be nothing left to divide*, showing as it seems to us, that, in law and equity both, we are correct *in retaining the bonus and damage money for ourselves as partial indemnity for the risks* and money expenditures we have incurred for our mutual benefit." (R. 513, Ex. 19).

The risks incurred and the expenditures for their mutual benefit are a matter of contract.

It is not true that appellee was entitled to reimburse itself for its "expense in litigating the Kelly Patent."

(1), The preliminary contract of June 29, 1876, the basis upon which the contract of July 3, 1876, was drawn, stipulates that (appellant) is "*not to be called upon to pay any expenses of litigation* in which (appellee) may be engaged or involved in reference to said (Kelly) patents." (R. 174, §1).

(2), In the contract of July 3, 1876, appellee expressly covenants to prosecute the infringers. (R. 4, § 4.)

(This covenant of itself placed the costs and expenses of litigation on appellee. *Littlefield* v. *Perry*. 51 Wall., 205.)

(3). Appellee's license to Scutt (December 1878) recites: "*The*

*Thorn Wire Hedge Company * * * pays no portion of the litigation expenses*" of appellee. (R. 290.)

(5.) In 1879 appellee writing to Coburn, its attorney, said "*The Thorn Wire Hedge Company * * * pay no part of our litigation expenses.*" (R. 383.)

Appellant was under no obligation to contribute to such expenses.

Even if appellee were entitled to so re-imburse itself the statement of Washburn that in case appellee indemnified itself for expenses of litigating the Kelly patent "there would be nothing left to divide," is not true, and was intentionally so made to deceive appellant. Washburn testified that appellee expended, prior to January, 1881, $146,000. in litigation. This sum of money covered the expenses of the litigation involving the validity of all of appellee's bottom barb wire and machine patents; viz: the Hunt, Smith, Kelly, Glidden, Kennedy and its other barb wire patents; the Putnam and other machine patents (in none of which, except the Kelly, appellant ever had any interest); its counsel and attorneys' fees and expenses advertising appellee's barb wire business; salary and expenses of appellee's employees, (including Stiles' salary) and expenses of every name and nature incident to its barb wire business. (R. 490.)

In August, 1880, after all the testimony had been taken, and all work had been done in the barb wire cases, after they had been argued and submitted to the Court for decision, Washburn wrote that appellee had expended but $20,000. on account of litigation of the Kelly patents. (R. 502).

The suits upon the Kelly patent were separate from suits on other patents, and the items could easily have been seggregated. Yet they not only made no such entries (except one item of $25. R. 490), but appellee never presented appellant with a bill for litigation expenses and never made any claim therefor. Ellwood and Putnam as joint owners of the patents, contributed to appellee's patent litigation. Scutt and the Ohio Steel Barb Fence Co. each paid to appellee $\frac{1}{8}$c per pound for account of litigation expenses. (R. 290, 310.)

Appellee frequently complained of the great expense of litigation and urged appellant's assistance, and which request appellant "in this spirit of generous concession" previously acceded to.

Stiles and Calkins both say (R. 82, 237.) and they are not contradicted, that it was mainly for such purpose of aiding appellee in the litigation expenses, that appellant on December 2, 1878, abated its royalty (one-third), viz: 12½c.

From the statements in evidence, of wire on which royalty was paid appellee, it appears that this reduction of royalty under the supplemental contract of December 8, 1878, on wire sold by defendant and its licensees, amounted prior to July 28th, 1881 to more than $738,000.

Appellee complains that it had assumed the "risks and expenses of this great enterprise." It assumed this risk when it voluntarily entered into covenants with Putnam, Glidden, Ellwood, and Kennedy, all of which had been consummated, long prior to July 3rd, 1876. Covenants which were entirely independent, separate and distinct from and in no way connected with or dependent upon the purchase by it of the Kelly patents. The contracts between appellant and appellee are in writing and determine what risk or obligation each assumed, and under which, voluntarily entered into, appellee covenanted to prosecute such litigation at its own cost. Appellee does not pretend it assumed a greater risk than it contracted for.

If the "risk and expenses" became too great, appellee could at any time have released itself from any further liability to appellant by returning the Kelly patents to appellant, or ceasing to operate thereunder for a period of ninety days. (§ 5, R. 4.) It never offered to do this, though Calkins in 1878 offered appellee $100,000. cash for the re-transfer of the Kelly patents. (R. 107.)

Surely appellee was more than "equitably reimbursed" for its expenses in "litigating the Kelly patents," when appellant had already remitted royalty for that purpose to an amount of money more than five times the entire cost of litigation and expenses of every nature, expended upon all of the patents of appellee and Ellwood, relating to its barb wire and barb wire machines, and business connected therewith.

Between January 1, 1881, and August 1, 1881, appellee collected upwards of $350,000. for bonus and back damage money. Even, if admitting, that appellee could retain its entire $146,000. expense

claimed to have been incurred by it for litigating its patents, still, after it reimburses itself in full there still remains the sum of $238,000. "left to divide" (making no allowance for the additional sums of money paid appellee by Ellwood, Putnam, Scutt, Ohio Steel Barb Fence Co., and others on account of its litigation expenses). This statement, that "after reimbursing itself for its expense in litigating the Kelly patent before making any division, in which case there would be nothing left to divide," was, therefore, a willful and *deliberate misrepresentation* of a material fact.

This representation was a fact, which appellant had no means of verifying, save only as informed by appellee, and of the truth of which it was in entire ignorance when it executed the paper of July 27, 1881, and of which fact it remained in utter ignorance until taking testimony below in February, 1888. The expense of litigation was a fact, which appellee admits by that letter, was material to appellant in determining whether it should accept the offer of appellee and execute the paper of July 27th, 1881.

(6) On July 1st, appellee rendered appellant its *second* regular quarterly statement, subsequent to January 1, 1881, still refusing to render statement of amounts collected in settlement with licensees for *back damages*, or to remit for the same, whereupon appellant wrote that such statement was "not correct and cannot be accepted by this company as the proper amount due as per our mutual agreements;" that there had been no "final or complete" settlement since appellee first refused to make such report." (R. 185.)

Early in 1881, appellant made a contract with appellee for a large amount of plain wire for use in making its Kelly barb wire. On July 1 appellant sent a statement showing $26,880.87 to be due from appellant. (R. 576.)

On July 9, appellee wrote: "*Unless we have, at once your settlement of our account to July 1, and your written promise that we shall have prompt monthly settlements hereafter, we shall be compelled to stop sending you any more wire*, which we would regret to do, and only *your own unjustifiable* course would bring us to this conclusion." (R. 186.)

Appellee threatened also to break its contract as to plain wire, unless appellant would send $26,000. due for plain wire. yet claims it

could in its "own perfectly *justifiable* (!) course" retain with impunity upwards of $180,000. then justly due appellant.

Appellant answered, "Relative to the settlement of our account, we are fully as anxious as yourselves to effect such settlement, and when your company will perform their part, we certainly will perform ours: this, on your part, *you have already deferred too long.* In your letter of March 28th, in answer to ours of the 21st, in which we ask you for *your report for settlements made with parties when in Chicago,* [by which settlement you did license a large amount of wire, *and did receive pay therefor,* for the perpetual use of this wire], and in your answer you stated that *you had deferred that part until Mr. Ellwood came East.*

"Now, from the best information we have been able to obtain relative to the amount of wire that you licensed in these settlements, there would be a large sum of money our due, and much in excess of your account for wire furnished this company. * * * We think that we have been easy in this matter, and have given you sufficient time to *furnish this company with such itemized report.*" (R. 517.)

Washburn did not answer, 'You have already been fully informed,' which he would have done if he knew appellant had full knowledge. This letter showed imperfect information on appellant's part. It simply shows that appellant had reason to believe — but did not know — that such back damages were larger than a sum, appellant's share in which exceeded $26,000.

When appellant was here seeking for information, why did not appellee give it, and tell appellant that the back damages collected amounted to more than twelve times appellee's bill for plain wire, to say nothing of the bonus money collected, amounting to the further sum of $64,095. Good faith made it its duty to do so.

(7) Appellee expressly covenanted to render monthly reports of money received for royalty "in any form."

Independent of the duty thus incumbent upon it by contract, to render monthly reports, it was appellee's duty to keep correct accounts and render to appellant full reports of all moneys collected by it.

Story's Eq § 468.
Pomeroy's Eq., § 1063.
Perry on Trusts, § 821.

Appellee kept books, but refused to render accurate reports.

It wrote July 9th, "Our accounts of royalties rendered to you month by month, are strictly in accordance with all agreements we

have with you." (R. 186.) Notwithstanding that it had been entering upon its books, month by month, as due appellant, money collected from its licensees for back damages. This statement, too, was a willful and deliberate misrepresentation. It did not report these items of royalty entered in its account books as due appellant.

Notwithstanding the repeated demands made for the "itemized report" made verbally to Washburn before his return to Worcester and repeated in appellant's letters from March to July, appellee refused to render any statement of the amount of money received by it for bonus money or in settlement of back damages, and the items were never known by appellant until disclosed in the testimony in the record, and now only partially known.

Appellee has not permitted appellant to examine its books with an expert bookkeeper, which right we insist appellant is entitled, under the protection of the court, to the full extent as appellee itself. Appellee furnished on the trial below a statement showing the amount of money it admits was received by it for such bonuses and back damages, and statement of damages. (R. 411.) This statement shows that appellee collected from its licensees prior to July 27, 1881. $64,095.38 bonus money; and $257,447.97 back damages, in money.*

(8) In addition to collecting these sums of money appellee purchased from almost every party taking license the Letters Patent relat-

*Total Bonus collected prior to July 27, 1881 ..... $111.728.38
" " " subsequent " " " "

Ayers & Decker	$ 3,000.00	
National Wire Co.	22,500.00	
D. S. Marsh	100.00	
Schreffler & Van Fleet	4,200.00	
Indiana Barb Wire Co.	5,500.00	
Boone Steel Barb Wire Co.	833.00	
Omaha Barb Wire Co.	4,000.00	
Lockport Wire Co.	7,500.00	$ 47,633.00
Balance		$ 64,095.38

Back damages collected	$262,165.94
" " " subsequent to July 27. 1881	4,717.97
	$257,447.97
Bonus collected prior to July 27th. 1881	$ 64,095.38
Back damages " " " " " "	$257,447.97
	$321,543.35

ing to barb wire and barb wire machinery then owned by such party, and paid for such patents by an allowance or abatement of 10c. per 100 lbs. upon the amount of damages for infringements theretofore committed.

It is stated in appellee's answer, "It is true that it did receive from some of the parties to whom licenses were so granted, the transfer of letters patent and rights to letters patent relating to barb wire and machinery for making barb wire; and in some cases an abatement of the amount of back damages, otherwise due from such parties, was made on account of the transfer of such letters patent." (R. 39.)

In all but two cases these patents were transferred to appellee and Isaac L. Ellwood. (R. 356.) Such abatements of back damages by which appellee paid for such letters patent were in addition to the sum of $257,447.97 collected by appellee. The amount of abatements thus allowed was 10c. per 100 lbs. in addition to the 60c. paid by such licensee. (R. 32, 39, 146, *248, 158.)

Appellee's books and papers should show the exact amount of wire made by each person taking a license. Appellee has furnished a partial list of the number of pounds of barb wire manufactured and sold by its licensees prior to January 1, 1881. (R. 381.) Comparing this statement with the statement of the amount of back damages collected by appellee (given in the statement furnished by it) and in evidence (R. 411.) in sixteen cases (one-third of appellee's licensees), it appears that abatements of royalty, by way of back damages were allowed for patents transferred to appellee and Ellwood to the amount of $64,935.09.*

*Name of Licensee.	Back Royalty @ 60c.	Back Royalty paid.	Amount allowed for Patents.
Baker Manufacturing Co.	$12,219.88	$10,059.88	$ 2,160.00
Frentress Barb Wire Co.	12,000.00	6,066.55	5,933.45
Watkins & Ashley	18,481.25	7,790.86	10,690.39
Crandal Manufacturing Co.	2,400.00	2,000.00	400.00
Ohio Steel Barb Fence Co.	37,211.50	22,348.55	14,862.95
Lockstitch Fence Co.	31,800.00	23,143.59	8,656.61
Pittsburg Hinge Co. Lim.	37,957.04	31,630.87	6,326.17
St. Louis Wire Fence Co.	12,000.00	6,147.68	5,858.32
Lyman Manufacturing Co.	31,987.03	29,321.24	2,665.79
W. J. Adams.	11,824.34	8,869.93	2,954.41
Northwestern Barb Wire Co.	11,113.64	9,261.39	1,852.37
Sandwich Enterprise Co.	1,920.00	1,744.37	175.63
Cincinnati Barb Wire Fence Co.	2,700.00	2,580.00	120.00
Railway Barb Fencing Co.	2,400.00	578.16	1,721.84
N. G. Ross.	1,800.00	1,500.00	300.00
A. Henley.	3,086.40	2,829.20	257.20
			$64,935.09

It is fair to assume that the amount allowed for patents transferred to it by the Chicago Galvanized Wire Fence Co., Iowa Barb Wire Co., Stone City Fence Co., Edward A. Beers and the other 32 licensees was at least the further sum of $25,000, or, in all, the sum of $90,000. making the total amount collected for back damages in the neighborhood of $350,000.

Washburn testifies: "Our object in purchasing these patents was to control the business." (R. 438)*

The amount thus collected by appellee for bonus and back damages, paid in cash and by allowance for patents aggregate over $400,000., no part of which was ever reported to appellant, or accounted for by appellee.

Such report should have been furnished appellant three months previous. Counsel say that appellant never asked for information or for payment. As we have seen, Stiles and Calkins both asked Washburn personally when in Chicago. Washburn admits that they did ask him for such statement, and he promised to send it when he returned to Worcester. Under the contract it was not only appellee's duty to render such statement but such statement was "to be accompanied by a remittance of such portion of the amount received" and due appellant. (R. 4 § 3.)

March 21, appellant, as soon as the next monthly statement was due from appellee, after Washburn returned to Worcester, wrote asking him to send the statement "of settlements with various infringing companies, all of which should be due by the 15th of this month." (R. 184 *349)

May 12th, appellant again calls attention to the fact that appellee has not furnished such statement. (R. 184).

July 11th, appellant wrote again "In ours of the 21st (March) we ask you for your report of settlements made with parties, and when in Chicago * * * . And in your answer you stated that you had deferred that part till after Mr. Ellwood came East * * * . We think that we * * * have given you sufficient time to furnish this company with such itemized report."

*(As to the value of these patents and object in purchasing, see further, *Infra in re* purchase of Haish's patents.)

(9) Appellant sought to get such report not only by the personal efforts of Stiles and Calkins, but by the repeated correspondence as we have seen. It could do no more unless it should suspect appellee of not acting in good faith. This it was not required to do.

Appellee having refused to license at 75c., prior to January 1, 1881, and while then "nominally" licensing at 75c. but by charging a bonus of $10. per ton as a "premium for the privilege of obtaining a license," had not yet complied with the contract of August 7, 1879, and was not entitled to the reduction of royalty from appellant of 10c., but should and ought to have accounted to appellant at 25c.

The royalty due appellant from appellee on July 27, 1881, at 25c. upon wire made prior to January 1, 1881, and then settled for by it with its licensees, was the sum of $145,000. (That is; 25–60 of $350,000. collected for back damages.)

In addition to this amount for back damages paid and settled for by appellee's licensees, there was also due appellant from appellee additional royalty of 10c. per lb. upon the product of itself, I. L. Ellwood & Co., H. B. Scutt, and Ohio Steel Barb Fence Co. to the amount of $42,500. (*Infra*. 118.)

There was also then due appellant, as admitted by Dodge, (R. 508. § 7) royalty on all wire each licensee had on hand the day of its license. (This amount has never been ascertained).

All these various items exceed $187,000. which was justly due appellant from appellee July 27, 1881, under the terms of their contracts.*

All of which appellee claims to have settled by paying $10,000 on July 27, 1881.

In addition to the amount thus claimed to be released, appellee claims that appellant released its claim to back damages and bonus money collected by appellee subsequent to July 27, 1881, and which amounts to the further sum of $63,355. ($15,692. for back damages and $47,446. for bonus. R. 377, 411.) Appellee's interest in these mon-

*Due appellant account back damages of licensees $145,000.00
" " " additional royalty of H. B. Scutt & Co. 3,522.00
" " " " " " Ohio S. B. Fence Co. .. 16,376.94
" " " " " " Appellee & Ellwood .. 22,601.53
Total $187,500.47

eys is the same as in the bonus and back damages collected prior to this settlement.

(10) In addition also to these items, which appellant is legally and equitably entitled to recover of appellee, appellant also released appellee from all claims for royalty on account of past damages committed by Jacob Haish, and future royalty on his product. Haish had then paid into Court below, for the use of appellee $25,000, as royalty at the rate of 75c. upon wire made subsequent to January 1, 1881, under an order of Judge Drummond issued in lieu of an injunction. Haish manufactured prior to January 1, 1881, 13,600,000, lbs. of wire, (R. 328) which the court below held infringed the Kelly patents, the royalty on which, at 25c. per 100 lbs. would be $34,000. In addition to this appellant's interest in the money paid by Haish, as royalty, into Court, was the further sum of $10,000. Appellant therefore released for this purpose in the Haish matter alone, the further claims to the amount of $44,000, for royalty then accrued.

Stiles says appellee never informed appellant "of the amount of back damages they had received prior to the time we settled with them in July, *nor at any time*." (R. 241.) "I never knew what bonuses were paid by anybody." (R. 247.)

Calkins says that at the time of that payment ($10,000.) there was no statement of the amount of back damages which appellee had received furnished to appellant.

"We had no data or information, that I now recollect, that any figures were talked of or mentioned at the time the release of back damages was executed, and that whatever information we had as to the amount of back damages or money received by the Washburn & Moen Manufacturing Co. in settlement with their licensees, in January and February, 1881, *was solely what came to us from hearsay*." (R. 117).

"We made the settlement without having ascertained the amount of such back damages and bonus. At the time of that settlement we had not succeeded in getting any report." (R. 97)

Washburn says that appellee did not furnish appellant any statement of bonuses or back damages at any time. (R. 473). Millington says neither Washburn or Ellwood ever furnished Stiles with "the amount of back damages to any licensee * * * in my presence." (R. 663).

(11) It will be argued by appellee that appellant did know that appellee collected considerable money for bonus and back damages. Stiles says he applied to licensees. (R. 271.) Calkins says that he did learn that appellee collected considerable. (R. 101, 117.) Stiles testified that he learned the amounts collected for bonus and back damages were "quite large." (R. 248.) But these were only estimates, made from hearsay (R. 117.) imperfect at the most and very indefinite. The licensees did not tell Stiles, because he says "They promised not to tell what it was." (R. 241.) Calkins ceased to inquire further among licensees because Washburn promised to report amounts. Appellee cannot say appellant should have known, when it not only refused to give but deliberately concealed information.

Ellwood said he and Washburn kept the matter strictly confidential. (R. 694.) Raymond says, "It was a matter of public notoriety" that the parties settling were reticent. (R. 325.)

Can appellee build up knowledge of these facts, under these circumstances, especially when it had in its power to have furnished full information and then refused to do so.

The fact stands uncontroverted that upon the verbal requests made before Washburn returned to Worcester, and upon the repeated written demands, made by appellant for such information in letters from March 21, up to July 27th, appellee refused to furnish any information.

Stiles testifies that when the settlement was made on July 27th, 1881, he settled "For the reason that it would be to our advantage to get the royalties accruing in the future as a certainty, rather than have any litigation and thereby be deprived of the receipts of such royalty." (R. 253.) "I took the position in that settlement that rather than have law suit with Washburn & Moen and peril our royalties, that I would settle anyhow. That is the view I took of it. I don't know but what I would have taken half of that; anything they offered, because that was my view of it. *Calkins was the other way, and did'nt want to settle.* I was afraid it would imperil our future royalties if we had a law suit with Washburn & Moen, and I was in favor of settling up, whatever way it was, rather than do that." (R. 270.)

Calkins says he was advised that unless an amicable settlement was made it "Might lead to a long litigation, and the restraining of the Washburn & Moen Co. from paying over royalties to us which accrued thereafter, which would approximate probably to a large sum

of money, and that if we needed our money we had better settle." (R. 97.) "We settled to avoid any litigation." (R. 106.)

Stiles testifies: "I told Washburn, in July, 1881, at the time of executing the release of back damages and bonus, before executing the same, that I wanted to insure our future royalties, and *have all the barbed wire men pay* so that we would receive the royalties. I wanted to avoid all litigation in regard to it. But the main thing was I wanted to fix it *so that the royalties would be paid thereafter by the licensees.*" (R. 255.) "I gave Washburn as a reason for settling the back damages, for $10,000. that, if there was litigation between the complainant and defendant, it might imperil our future royalties." (R. 282.)

Only four years more of the term of appellant's contract with appellee remained. Litigation with appellee, Stiles knew, would be seized upon by the licensees as a ground for refusing to pay royalties.

Stiles says, he always "advised" appellee "to reconcile the differences just as much as possible," (R. 265.) not only with appellant but with all the other licensees.

Ellwood testifies: that Stiles "Always advised settlement of litigation" and "that anything of the kind kept up an excitement among the licensees, and he fully realized that as long as there was litigation there was more or less demoralization in prices, and in the general welfare of the business." (R. 691.)

And there always was trouble and discontent among the licensees eager to seize upon any pretext to get out of paying royalty. (R. 267, 588.)

Other licensees had already learned that there was "some dispute on questions which existed between" appellant and appellee. (R. 165.)

Appellee knowing this danger to appellant and Stiles' inclination always to avoid litigation, unjustly used it for his own profit. Stiles' counsel prevailed over Calkins' wish to litigate, and appellant thereupon, without receiving information as to the amount due it under its contracts, and *without any accounting*, accepted the $10,000. offered by appellee which was about one-twentieth of the amount (as it appears from this record) then due it, and executed the release prepared by appellee for that purpose.

As a matter of business policy, on appellant's part, Stiles' advice was at that time the best for appellant to follow. In fact, it was the only thing appellant could do. To have risked such litigation on its part with appellee would have stirred up discontent and other litiga-

tion between appellee and its licensees, always eager for a cause to contest the payment of royalties, for the three remaining years of its contracts, and would have imperilled if not have destroyed appellant's future royalty. The situation was extremely delicate and appellee using this as a club, compelled appellant to accept $10,000. when there was due it more than $180,000.

As Lord ELDON said in *Huguenin* v. *Basely* 14 Vesey 273 when discussing the matter of undue influence in obtaining a deed. The question was not whether the donor knew what he was doing " *but how the intention was produced.*"

Where, as here, there existed between appellant and appellee the fiduciary relation of principal and agent (not simply that of debtor), and appellee concealed material facts, made misrepresentations, and threatened to break its contract with appellant for plain wire unless appellant submitted to appellee's unjust demands, and in order to save and reap the benefit of the four remaining years of its contract, was compelled to sacrifice upwards of $170,000. then due; and where, as here, appellant relied entirely upon appellee for information but received only partial information, and deliberate concealment and misrepresentations, these transactions "are viewed with great jealousy" by the courts.

Appellant was entitled to know everything appellee knew; the manner of keeping and contents and entries in its books, and every cent collected by appellee for bonus and back damages.

"The true definition of undue concealment which amounts to a fraud in the sense of a Court of equity, and for which it will grant relief, is non-disclosure of those facts and circumstances, which one party is under some legal or equitable obligation to communicate to the other; and which the latter has a right, not merely *in foro conscientiae* but "*juris et de jure*" to know.

Story's Equity Jur., § 207.

If any information was imparted to appellant by appellee as to the amount of these back damages, it was meagre. The language of Lord ELDON in *Walker* v. *Symonds*, 3 Swanston 73, is peculiarly appropriate. He says:

"He, who undertaking to give information, gives but half information, in the doctrine of this court, *conceals.*"

"Imperfect information will be regarded as equivalent to *concealment.*" Hill on Trustees *525.

Mr. Chief Justice CHASE, in *Crosby* v. *Buchanan*, 23 Wall., 420. says:

"In a court of conscience deliberate concealment is equivalent to deliberate falsehood."

With this imperfect information as to the amount of moneys collected, and under these circumstances appellant executed

THE RELEASE OF JULY 27TH, 1881.*

(1) It is alleged in the bill and admitted in the answer that the supplemental contract of August 7th, 1879, continued to be in force

*This release is as follows:

"This agreement, made and entered into on this 27th day of July, A. D., 1881, by and between the Washburn and Moen Manufacturing Company, a corporation organized under the laws of the Commonwealth of Mass., and located at Worcester in said Commonwealth, and the Thorn Wire Hedge Company, a corporation organized under the laws of the State of Illinois, and located in the city of Chicago, in said State.

"WITNESSETH: Whereas, there are certain agreements in writing subsisting between the parties above named, bearing date respectively, July 3, 1876, December 2, 1878, and August 7, 1879, to which reference may be had for all matters therein contained; and whereas, The Thorn Wire Hedge Company claims that under the effects of said agreements it is entitled to a share of the damages or moneys or other valuable things which the Washburn and Moen Manufacturing Company have received from the different persons, firms, or corporations, who have infringed upon the patents owned by the said Washburn and Moen Manufacturing Company and I. L. Ellwood, and have accepted licenses from them to manufacture Barbed Fence Wire under the several patents owned and controlled by them; and also claims that it is entitled to share in certain bonuses or premiums which have been paid by various licensees *for the privilege of obtaining a license:* and for other causes make other claims for damages or compensation on various grounds against said Washburn and Moen Manufacturing Company.

"Now, therefore, in consideration of the premises, and of the sum of ten thousand dollars to it paid, the said The Thorn Wire Hedge Company does by these presents hereby release and discharge the said Washburn and Moen Manufacturing Company from all claims or demands of every kind and nature whatsoever, which it has or can have against said company for and on account of any moneys, properties or valuable things which the said Washburn and Moen Manufacturing Company has received from any persons in settlement for damages or profits accruing to it, or to it and I. L. Ellwood, on account of infringements committed upon any Letters Patent for barbed fence-wire or machinery for making the same, and also for and on account of any moneys which it has received by way of bonuses or premiums paid to it by parties receiving licenses from it and from I. L. Ellwood to manufacture barbed fence-wire; and does also discharge and release the said Washburn and Moen Manufacturing Company from any obligation to account to The Thorn Wire Hedge Company for any sums of money or valuable things which it shall or may hereafter receive or acquire from any parties in settlement of suits or claims for damages for the infringements, prior to the date of this agreement, of Letters Patent owned by the said Washburn and Moen Manufacturing Company, or by it and I. L. Ellwood, or for moneys which it shall hereafter receive for bonuses or premiums paid for licenses.

"Furthermore, in the execution of the existing agreements between the parties bearing the date, July 3, 1876, December 2, 1878, and August 7, 1879, before referred to, providing for the payment of fifteen cents by the Washburn and Moen Manufacturing Company to The Thorn Wire Hedge Company as consideration money

until June 12th, 1883. The release of July 27th, 1881, (R. 24.) does not, by its terms, purport to, and it does not in fact, change the rights of appellant as to royalty under their contract.

The only matter in controversy between appellant and appellee at the time when this release was drawn was the question of bonuses and back damages. (R. 248.)

Even if the testimony of Stiles and Calkins on this point were not believed, the rule is well settled, that although there may be recitals in a deed, yet such recitals do not affect its construction where the terms of the operative part of the instrument, are plain and explicit.

Recitals in deeds are "not binding when it is a mere description and not an essential averment." Greenleaf on Ev., § 26, and cases cited.

---

for the Kelly patents, upon every one hundred pounds of barbed fence wire manufactured and sold by it, or its licensees, or by its authority, the said, The Thorn Wire Hedge Company, does release and surrender any claim against the Washburn and Moen Manufacturing Company for any share in or proportion of the license fees or royalties which it shall receive from Jacob Haish, under the agreement between the Washburn and Moen Manufacturing Company and the said Jacob Haish (a copy of which has been furnished to the Thorn Wire Hedge Company) which shall be required under said agreement, to be applied by the Washburn and Moen Manufacturing Company, or used in the payment of any consideration for the purchase from said Haish of certain patent properties, and the release of claims for infringements against licensees under said agreement.

"And the said Washburn and Moen Manufacturing Company does, in consideration of the premises, hereby release and discharge the Thorn Wire Hedge Company from all and every claim and demand which it has or can have for damages by reason of any breach, if any, heretofore committed by the Thorn Wire Hedge Company of any covenant with said Washburn and Moen Manufacturing Company not to sell barbed fence-wire at any less rate or upon any more favorable terms as to the payment and delivery than the rate and terms fixed by the Washburn and Moen Manufacturing Company for the government of themselves and their licensees in making sales of barbed fence-wire; and said Washburn and Moen Manufacturing Company further releases said, The Thorn Wire Hedge Company, from all claims for damages or abatement of royalties on account of anything in the late decision of the United States Circuit court for the Northern District of Illinois, adverse to one of the Kelly patents.

"And it does also covenant and agree that it will not institute or prosecute, or suffer or permit to be instituted or prosecuted any suit against the Thorn Wire Hedge Company, its agents, or the persons who use the Kelly barbed fence-wire, so-called, manufactured by it, for infringement of any letters patent, relating to barbed fence-wire, or to machinery for making barbed fence wire, which has been or shall be acquired by the Washburn and Moen Manufacturing Company and Isaac L. Ellwood from Jacob Haish and comprehended within the agreement between the said Washburn and Moen Manufacturing Company and the said Jacob Haish before referred to. Nothing herein shall be construed as an admission by the Washburn and Moen Manufactnring Company of the rightfulness of the claim of the Thorn Wire Hedge Company to share in the damages *or property* recovered or *received* by said Washburn and Moen Manufacturing Company, for the infringements of said patents.

"Signed, sealed and delivered this 27th day of July, 1881."

"Where the words in the operative part of an instrument are clear and unambiguous they cannot be controlled by the recitals." Chitty on Contracts, p. 90.

In *Walker* v. *Tucker*, 70 Ill., 537, SCOFIELD, J., says:

"The rule of law is, where the words in the operative part of an instrument are of doubtful meaning, the recital may be used as a test to discover the intention of the parties and fix the true meaning of those words. But when the words in the operative part of the instrument are clear and unambiguous, they cannot be controlled by the recitals. 1 Chitty on Conts. (11 Am. Ed.) 120; *Walsh* v. *Trevanion*, 15 Q. B. 733."

In *Munro* v. *Alaire*, 2 Caines, 320, Justice KENT says:

"The rule in the construction of deeds is, that if a general clause be followed by special words which accord with the general clause, the deed shall be construed according to the special matter."

In *Holmes* v. *Hubbard*, 60 N. Y. 186, the Court says:

"General words may sometimes be explained or qualified by a recital, *Payler* v. *Homersham*, 4 M. & S.., 423, but when the operative words of a deed are clear and unambiguous, a recital may not control them, or when the recital is rather of the occasion of the covenant than the statement of its general purpose and object, as in *Bank of British North America* v. *Cuvillier*, 4 L. T., (N. S.) 159."

"If clear and unambiguous the operative part of deed must be followed" instead of recital.

Miller v. *Tunica Co.*, 67 Miss., 651.

In *Adams* v. *Gibney*, 6 Bing., 656; 4 M. & P., 491.

PARKE, J. says: "The court ought to be cautious in spelling a covenant out of a recital of a deed."

Walsh v. *Trevanion*, 15 Q. B., *751 where PATTESON, J. says:

"When the words in the operative part of a deed of conveyance are clear and unambiguous, they cannot be controlled by the recitals."

See also:

Bell v. *Bruen*, 1 How, 169.

Jones on Construction Contracts. § 217.

In *Leggot* v. *Barret*, L. R., 15 Chy. 311, BRETT, L. J. says:

"If there is any doubt about the construction of the governing words of (a) deed, the recital may be looked at in order to determine what is the true construction, but if there is no doubt about the con-

struction, the rights of the parties are governed entirely by the operative part of the writing or deed."

See also:

Clifton v. *Walmesly*, 5 D. & E., 564.

This release was drawn by appellee's counsel (Dodge, R. 280.) It is clear and explicit in its terms. It purports:

(1) To release and discharge appellee from all claims "for money, property *or valuable thing*" (i. e. patents) which it *has received;* (a) in settlement for "damages or profit * * * on account of infringements" upon appellant's patents, prior to its date; and (b), for "bonuses or premiums *paid by licensees for the privilege of obtaining a license;*" and:

(2) To discharge appellee "from any obligation to account to appellant (a) for moneys it *shall receive* for damages for infringements *prior to the date* of this agreement;" and (b) "for moneys which it shall hereafter receive" for bonuses or premiums paid for licenses.

This release does not purport to release appellee from back damages subsequent to its date, or for royalty due appellant upon the product of appellee; or upon the product of its licensees *previously sold under license* from appellee.

The doctrine *expressio unius est exclusio alterius* here applies.

That this release was not intended to and did not cover back damages collected subsequent to its date is conclusively shown by the fact that on the very day this release bears date, appellee procured from appellant a release of and from "any portion of the damage money or other property which may be recovered or received from James H. Coon, in settlement or disposition of two suits," which appellee then had pending in the U. S. Courts, in Iowa, "provided, said suits are prosecuted with diligence or disposed of or settled within one year." (R. 210.) otherwise, appellant's rights to back damages are absolute. Its right under the contract is here expressly admitted. Else why stipulate for a release? Is this not an absolute answer to Dodge's sixth proposition? (R. 508.) Appellant is entitled under the covenants of its contract (even admitting, for sake of argument, it to

be modified by this release,) 25-60 of the $63,355. bonus and back damages collected after July 27, 1881. Under the terms of the contract appellee is not entitled to the benefit of a reduction of appellant's royalty to 15c., and charge a *bonus* at the same time.

This release does not purport to change the terms of the original contract of July 3, 1876, or the contracts supplemental thereto, of December 8, 1878 and August 7, 1879. The rights of the parties under such contracts remain unaffected by the release. It was executed simply as a release, to the extent indicated, of money then due appellant from appellee under its contract upon the payment of $10,000.

It is true, Dodge, with his *cocoethes scribendi*, inserts in the recital that there were "other causes" aside from the bonus and back damage controversy, but none, in fact, existed.

The release must have some "apparent" ground for its existence, and therefore, Dodge so formulates the recitals and cunningly attempts to put a construction that the contract of August 7, 1879, *ipso facto* reduced the royalty to 15c. And appellee's counsel will so state to the Court. But even this recital does not in fact purport to give any such construction or in any way modify that contract.

We have already shown that there was no foundation for the alleged claim for damages against appellant by reason of anything in Judges Drummond and Blodgett's decision.

The covenant that appellee would not sue appellant, or suffer suit to be instituted under the Haish "S" patents, is but a repetition of the covenant already contained in the contract of December 2, 1878, whereby appellee and I. L. Ellwood, in consideration of a reduction made by appellant of 2-5 of its stipulated royalty (10c. per 100 lbs.) licensed appellant to use, in making the Kelly wire, all the letters patent then owned, or which it or I. L. Ellwood might thereafter acquire (R. 7.) But appellant did not use in its own manufacture any of the inventions contained in any of the Haish Patents. (*Infra, in re* Haish.)

The other covenant whereby appellee released appellant from "any breach, if any" of the terms in the license to appellant whereby it agreed to observe the prices in the sale of its wire, which should be fixed by appellant, is without foundation. Appellee admits there was no foundation for this when it wrote: "any breach, *if any*." Even

if there were breaches of this covenant appellee had no claim for damages, inasmuch as appellant fixed the penalty for breach of such license, in express terms in providing that "This license shall become forfeited by non-compliance with its provisions." (R. 212.)

Moreover, there is neither any statement in the pleading that appellant has not complied with the terms of its *license*, nor is there any evidence in the record to support such statement. On the contrary, Calkins says that appellant did fully comply with all the terms of its contract with appellee. (R. 87.) Stiles says that appellant fully complied with the terms of its contract, and that Washburn always said, "If every other licensee kept their promises as appellant did there would be no cause for complaint." (R. 242.) Washburn does not deny this.

The diligence of counsel, in examining every letter that passed between appellant and appellee, fails to disclose a single instance wherein appellant has not complied with the terms of its license. When appellant conveyed the Kelly and other patents mentioned in the contract of July 3, 1876, and caused the other instruments contracted for to be delivered its duty under the *contract* was fully performed.

In the correspondence that passed in relation to the difference between the parties this claim is never mentioned. There is no evidence in the record on which to found it. The license and contract of July 3, 1876, are entirely separate and distinct; in no way dependent upon each other. The contract being assignable, and the license non-assignable, their only connection lies in the fact that they originally arose out of the same subject matter.

The fact then remains, and the record and correspondence shows, that the bonus and back damages were the sole and only matters involved in the settlement as to which the release of July 27, 1881, was made. (The release by appellant as to claims for Haish royalty is merely an incident, which we elsewhere discuss.) (*Infra. in re* Haish.)

The release does not purport that it was made upon an accounting had between the parties, and there was no accounting.

It is almost an axiom in equity that every release supposes the party making it to have some right, and it was apparently to meet this

axiom that Dodge, Coburn, and Offield, had inserted in the release that it should not be "construed as an admission of" appellant's rights. If this was a fair transaction, appellee would not have been driven to the necessity of inserting such a clause to build up its claim.

If appellee had rendered an account and made an honest settlement according to the contract, there would have been no necessity of a release. The insertion of such a clause in this release can only be construed as an evidence that appellee knew it was not doing its duty.

The same covenants that authorize appellant to recover for royalty on wire made prior to January 1, 1891, authorize appellant to recover on account of bonus and back damage money collected subsequent to July 27th, 1881. The amount collected and due appellant subsequent to July 27, 1891, and for bonus and back damage money is not less than $15,000. This would make the amount released and for which appellee was then or thereafter justly indebted to appellant, under its contracts, of $195,000. In addition to this was the $44,000. released on account of Haish's back damages.

When appellee made a demand for the payment of its account for plain wire on July 9th, which amounted to $26,000., Calkins answered appellee: "Now, from the best information that we have been able to obtain relative to the amount of wire that you licensed in these settlements, there would be a large sum of money over due. and much in excess of your account for wire furnished this Co." (R. 517). Which proves that he did not then know the amount due appellant, except that it exceeded this amount.

If appellant knew anywhere near the amount of the bonus and back damage money, would not appellant's officers have said so in one of their letters and would appellee not have produced such letter on trial?

Why did appellee promise to send a statement of the amount and then take counsel; and then under the advice of such counsel refuse to furnish statement? Why the necessity of concealment if appellant already knew the amount?

Calkins says he first learned of the amount of back damages and bonus money appellee admits it received. in January and February.

1881, upon the taking of the deposition of Washburn, in this case in February 1888. (R. 85.)

Counsel say because Calkins stated, when he saw the statement so furnished in 1888, that he supposed the amount was larger, therefore he was thoroughly posted. On the contrary, it shows that he was never correctly informed but was then still in the dark.

Counsel claim that appellant knew the full amount of back damages because Stiles testified in another case brought by appellee, that he had been informed that appellant was entitled at this time to recover $80,000. from appellee. (R. 249). Trumbull's opinion is based upon a royalty of 25c. per 100 lbs. At this rate (25—60) appellee would have collected only $190,000. for back damages (not including bonuses), while it now furnishes in evidence a statement showing that it collected over $350,000. for back damages. Instead of there being but $80,000. due appellant for back damages, the amount so due then exceeded $180,000.

Stiles testified in that suit, at the instance and on behalf of appellee. Yet appellee even then concealed from Stiles the fact that the amount of money collected for back damages alone, not to mention bonus money, was more than *double* the amount which Stiles and the other officers of appellant believed to be due it from the imperfect "hearsay information" gained from outsiders.

Appellant might be willing to release a debt, believing it not to exceed $80,000. to prevent a vexatious law suit, and to save imperiling its royalties, for the four remaining years of its contract. To release a then existing valid debt of over $190,000. and a further liability of $15,000. is another case. It was not appellant's intention to release $205,000. If appellee so insist then this release was obtained under such a misapprehension of the facts which a court of equity will not sanction.

Perry on Trusts, § 923.
Hill on Trustees, p. 899. (*581.)

Appellee should not be allowed now to say what appellant would have done if it had been fully informed, when in violation of its duty it refused to impart full information to appellant. *Kilbourn* v. *Sunderland*, 130 U. S., 505.

There was credited upon appellee's books, July 27th, 1881, as due

from it to appellant, at least $6,833. on account of such back damages (*Supra.* 87). In fact, then as consideration for this release, appellee paid appellant less than $3,200. above what upon its books it admitted to be then due. By admitting this sum of $6,833. to be so due, it admitted to be due appellant its full share of all back damages collected. The $10,000. then paid was but a part of the amount then due.

Appellee also claims that by the release of July 27, 1881, appellant released its right to royalty upon wire made prior to January, 1. 1881, by (*a*), the Ohio Steel Barb Fence Co., (*b*), H. B. Scutt & Co.. and (*c*), appellee and I. L. Ellwood & Co.

Such is not the fact; the release of July 27th, 1881, does not effect these royalties.

(*a*).

Royalty on wire made by the Ohio Steel Barb Fence Co. between March 1, 1879, and January 1. 1881.

In the supplemental contract of December 8, 1878, appellant released appellee from all claims for back damages theretofore committed by the Ohio Steeel Barb Fence Co. Appellee then issued a license to that company for 5,000 tons annually. That Company, thereupon, paid royalty under such license, and reported as manufactured by it, under said license, in the months of March, April and May. 1879, wire, upon which there was due appellant for royalty, the sum of $872.19, which royalty appellee admits that it has not paid. unless included in the Release of July 27, 1881 (R. 441).

It continued to manufacture and sell the same style of wire subsequent to May, 1879, until January 27, 1881, at which time appellee canceled said license; received payment for the said $872.19 royalty; settled with that company for all wire made by it prior to January 1, 1881, not reported under said license and issued to that company a new license bearing date January 27, 1881. (R. 576).

(1). *Royalty on Wire Reported as Made under License.*

Washburn testifies: "We reported to (appellant) its *share* of royalty to be $872.19" upon wire manufactured by the Ohio Steel

Barb Fence Co. in the months of March, April, and May, 1879, under its license. (R. 439).

Appellant called appellee's attention to the fact that this $872.19 royalty was not paid. On October 4, 1879 appellee replied: "We own their patents *and are proceeding against them, under them.* (R. 439).

On August 27, 1880, appellee again wrote appellant, "We shall sue the Ohio Steel Barb Fence Co. of Cleveland, for a variety of 'omissions and commissions' on their part, at once." (R. 225).

In answer to appellant's letters of July 20th and August 23d, 1882, demanding payment of this item of $872.19 royalty (R. 188.) appellee, on October 2, 1882 wrote: "The tonnage made by the Ohio Steel Barb Fence Co. represented by the sum of $872.19 was reported by them under their first license, but they afterwards refused to pay a license fee. Thereupon in consequence of which, we sued for the cancellation of their license and *it was cancelled when they came to take a new license from us.*" (R. 189.)

On October 4, appellant replied: "In answer to yours of October 2, in which you seem to have settled the whole matter of royalties, viz., $872.19, royalty accruing by reason of the license to the Ohio Steel Barb Fence Co. and reported by them in general charge of back damages in that general settlement made with infringers in January, 1881, I would say that this may be satisfactory and conclusive to you, but it does not exactly harmonize with our understanding. You might have as reasonably claimed all the royalty due from Scutt, I. L. Ellwood & Co., or even yourselves, to have been settled in that general settlement which you speak of as damages. We understand, also, that in your settlement with the Ohio Steel Barb Fence Co,, this matter of back royalties has figured in as a just debt, *and that you dismissed the suit by their payment of same,* and that they settled at a certain rate for what wire that they infringed or manufactured *after they ceased to report.* Your letters to us in relation to this matter have always carried the idea to us that you were striving to collect the same by suits. We hope, therefore, that you will look the matter over of your settlement with that company again, and see if you are not mistaken in your construction and in your disposition of your moneys that belong to us, as you state in yours of October 2. And you find that you did collect the royalty, please give us your further decision on the matter." (R. 189.)

To this letter appellee replied October 7, 1882: "We will look this matter over carefully." (R. 440.)

Aside from the letter of October 7, 1882, appellee made no further answer to appellant's letter of Oct. 4, 1882 and did nothing further during the term of the contract towards paying or attempting to pay.

The license of the Ohio Steel Barb Fence Co. of December 7, 1878, although in a separate paper, was "a part of (an) agreement" of the same date. (R. 299.)

On January 27th, 1881 appellee gave the Ohio Steel Barb Fence Co. a release of this royalty. This release is in evidence and recites that "said agreement (is) now cancelled" and the Ohio Steel Barb Fence Co. is released from all obligation thereunder. (R. 577.)

Appellee does not deny the statement contained in appellant's letter of October 4, 1882 that appellee received payment in full for this royalty: nor does appellee deny the statement "that claims against licensees who had reported sales were not affected" by the settlement of July 27th, 1881. This item of $872.59 was never paid to appellant (R. 441.) and no matter what construction be given to the release of July 27, 1881, should be paid appellant by appellee.

(2) *Royalty on wire under license, but not reported.*

Appellee repeatedly wrote appellant that it was endeavoring to collect the royalty accruing upon the wire of the Ohio Steel Barb Fence Co. subsequent to March 1, 1879. It cancelled the license to that company on January 27, 1881, and settled with that company for all unpaid royalties at 60c. and without notice to appellant, released it from all further liability under the contract and license of December 7, 1878. (R. 576.)

Calkins states the first information he had that that company was released from liability under the license of December 7, was by appellee's letter of October 2, 1882. (R. 122.) Both he and Stiles state that they had no knowledge of and never saw the release executed by appellee, until after the commencement of this suit. (R. 255.) Washburn says that he has no remembrance of showing such release paper to either of them. (R. 468.)

The Ohio Steel Barb Fence Co. sold 6,201,918 pounds of wire between March 1, 1879 and January 1, 1881 (R. 381.) on which there was due appellant a royalty of 25c. or the sum of $15,504.09.

This company paid appellee on January 27, $22,348.55 in settlement of royalty made under its license of December 7, 1878, and subsequent to May 1, 1879. (R. 411.) Appellee then issued to that company its new license and it thereafter continued to pay royalty

to appellee under such new license up to the time of the commencement of this suit.

Owning the bottom barb wire patents; with a decree in its favor against that company under their specific patents (R. 303.); owning the letters patent for the specific styles of wire made by that company, and that company taking a license from appellee in which license it admitted the validity of appellee's patents, appellee could have successfully maintained suit and have recovered judgment against that company for this royalty and collected the same.

The release executed by appellee January 27, 1881 recites that the Ohio Steel Barb Fence Co. is "liable to said Washburn & Moen Mfg. Co. for heavy money damages, but which claims for money damages provided for in said agreement said *Washburn & Moen Manufacturing Co. are not now disposed to enforce* against said Ohio Steel Barb Fence Co." and "said Washburn & Moen Manufacturing Co. hereby releases said Ohio Steel Barb Fence Co. from all claims for money damages which it is entitled to under said agreement (license of Dec. 7, 1878) *now cancelled*." (R. 577.)

The amount of such wire had not been reported to appellant and was learned by it for the first time when appellee furnished in evidence, the statements found on pages 381 and 411 of the Record. Nor has the payment of such royalties been waived by any act of appellant.

If appellee voluntarily put it out of its power to collect the royalty arising under said license prior to January 1, 1881, it should not affect appellant's rights. There is no good reason why this royalty was not collected by appellee.

On August 25th, 1880 Stiles wrote to appellee; "In order to bring in Scutt, Billings and others, we reduced to 25c. Little, or nothing has come to us of this. You have not collected of Billings, though his company (Ohio Steel Barb Fence Co.) is responsible." (R. 285.) That this company was financially responsible is not contradicted. It continued to pay royalty up to the time of the commencement of this suit, under its new license. Never once in the entire course of transactions between the parties has appellant asserted that that company was not financially responsible. Appellee could easily have collected this royalty from this licensee by the exercise on its part of "due diligence and lawful means" as provided in their contract.

(*b*).

Royalty on wire sold by H. B. Scutt & Co. between August 7, 1879, and January 1, 1881.

Appellee's reports to appellant prior to January 1, 1881, merely state the number of pounds manufactured and sold by any licensee during the preceding month. They do not give the rate of royalty collected by appellee from the licensee. (R. 203.)

Calkins testifies, that appellant "was not informed by (appellee) what rate of royalty was charged by that company on wire manufactured and sold by H. B. Scutt & Co. prior to January, 1881, and subsequent to August 7, 1879." (R. 155.) There is no evidence to the contrary. Calkins says it did not know what rate of royalty appellee was collecting from Scutt & Co. until after the institution of this suit. (R. 135, 155, 158, 240, 262.)

As a matter of fact, appellee made no payment of royalty upon Scutt's manufacture, Dec. 1879 to August 1880, (R. 182.) If appellee had sent any statement showing the *rate* of royalty paid by Scutt during this time it could easily have shown it. None is shown.

Washburn testifies, that appellee exacted and continued to collect royalties from H. B. Scutt & Co., on August 7, 8, and 9, 1879, at the rate of 87½c per 100 lbs. and from August 9, 1879, to August 1, 1880, at the rate of 81¾c per 100 pounds prior to August 1, 1880. (R. 481.) Appellee thus admits it collected a greater royalty from Scutt than 75c.

Appellee made no report of Scutt's manufacturing between August 30 and January 1881. (R. 1198.) Appellant, therefore, could not know what royalty Scutt was paying during that time.

Under the 11th section of the license to H. B. Scutt & Co. that company was compelled to pay to appellee besides the royalty of $1.50 per 100 lbs. an additional royalty of ⅛c per pound for expenses of appellee's patent litigation. (R. 289.) Such litigation expenses were apportioned between appellee, I. L. Ellwood, The Ohio Steel Barb Fence Co. and H. B. Scutt & Co. in proportion to the amount of tonnage manufactured.

Appellee during the same time also compelled H. B. Scutt & Co., under an "express condition" upon which this license was granted to purchase from appellee all plain wire used in the manufacture of barb wire, at a net profit to appellee of ½c per pound. (R. 292.) This

additional royalty of litigation fees and profit of wire appellee continued to exact until January, 1881, and amounted to upwards $23,000.

In January, 1881, *and not until then*, did appellee release Scutt & Co. from its covenants: (1) to purchase plain wire of it, at a net profit of one-half cent per lb.; (2) to contribute to its litigation expenses, and (3) to pay royalty at one and one-half cents per lb. The modified license of January, 1881, reciting, among other things, "that the *amount of royalties* to be paid by * * * H. B. Scutt & Co. under said original agreement and license as *hereby amended will amount after this* * * * to 75c." (R. 298). This agreement fixes the exact time when such royalty was first reduced to 75c.

Between August 7, 1879, and January 1, 1881, H. B. Scutt & Co. sold 3,685,658 lbs. of barb wire.* Appellee has paid appellant a royalty of but 15c. There was justly due appellant on January 1, 1881, an additional royalty of 10c. or the further sum of $3,685.65.

There is no injustice in this claim. Appellee did not reduce Scutt's royalty until after January 1, 1881. It collected this money from Scutt & Co. under its contract with appellant of date December 8, 1878, and not under the modified contract of August 8, 1879. There is no valid reason, having collected this money, why appellee should not pay it to appellant.

H. B. Scutt & Co. were solvent and continued to pay royalty until after the commencement of this suit.

(*c.*)

Royalty on product of I. L. Ellwood & Co. and appellee from August, 1879, to January 1, 1881.

From August 7, 1879, until January 1, 1881, appellee and I. L. Ellwood & Co. manufactured and sold 22,601,537 pounds of barb wire. (R. 405.) On this wire appellee paid but 15c. royalty. Inasmuch as appellee refused to issue licenses at 75c. and also refused to reduce the royalty to its licensees, prior to January 1, 1881, and the reduction of appellant's royalty did not begin until January 1, 1881, there is due appellant an additional royalty on this wire of 10c. per 100 lbs.

*Being number of pounds of wire shown in "Ex. A 6" (R. 405), less the number of pounds of wire shown in "Ex. Calkins" Nos. 61 to 71 (R. 1132 to 1142).

or $22,601.53. We have already shown that as late as August, 1880, appellee wrote Stiles that "*the only earthly way*" that it would then issue licenses at 75c. was for appellant "*to cut its royalty right in two.*" Yet the moment appellee determines to license at 75c. there is such an eager demand for licenses at that rate that in many cases applicants were willing to pay a bonus of $10. per ton.

(*d.*)

In exacting the $23,000. for profit on wire and for litigation fees from H. B. Scutt & Co. between August 7, 1879, and January 1, 1881; and in exacting royalty in excess of 75c. on all wire sold by them during the same period; and in refusing to grant licenses at 75c. royalty, appellee did not comply with its contract of August 7, 1879.

Appellee should pay appellant (1) the $872.19 royalty due, reported under the Ohio Steel Barb Fence Co.'s license; (2) the $15,504.75 royalty collected from that company but not reported under the same license; (3) the additional royalty of $3,522.36 due under Scutt's license, and (4) the additional royalty of $22,601.53 upon the sales of appellee and I. L. Ellwood & Co. aggregating the sum of $42,500.83. Concerning the justice of this claim, there can be no question. This royalty is more than four times the amount of money paid appellant by appellee at the time of and as consideration for the execution of the alleged release of July 27, 1881.

Even if such release were to stand, it contains no covenant which can, under any canon of construction, be construed to release appellee from payment of royalty upon barb wire *sold* by it, or its licensees prior thereto. All this release purports to cover are two items, viz: (1) moneys paid it for "profits accruing to appellee" on account of infringements upon appellee's patents; and (2) moneys "received by way of bonuses or premiums * * * for the privilege of obtaining a license." (*Supra.* 105.) It does not purport to modify the contract of August 7, 1879, or release appellee from any of the covenants of its contract. That appellee does not claim its contract was modified by this release is shown by the pleadings.

The answer of appellee states: "This defendant, further answering, admits that on or about August 7, 1879, there was a further supplemental agreement made between the parties and duly executed by them and that said agreement so supplemental and modified *remain-*

ed in force between the parties thereto substantially, as therein provided, until on or about June 12, 1883."

The modified contract was in force, but the time of the reduction of royalty by appellant was not until January, 1, 1881.

If the Ohio Steel Barb Fence Co's. royalties under first license were back damages, then the subsequent royalty of every person who took licenses are equally back damages.

It is stated in appellee's answer that this release "was an agreement of compromise * * * for the receipt of money by (appellee) in the way of back damages and of bonuses and the transfer of patents."

Nowhere is it stated or intimated, either in the release or in the answer, that there was a settlement due for royalty prior to July 27, 1881, upon the wire sold by Ellwood, appellee or any of appellee's licensees.

No claim is asserted by appellee that the supplemental contract of August 7, 1879 was modified until June 12, 1883. Appellee nowhere sets up in its answer that it was entitled to the reduction of 10c. on the royalty of the Ohio Steel Barb Fence Co.; H. B. Scutt & Co.; I. L. Ellwood & Cc. or itself, prior to January 1, 1881, or that it was released by appellant from the payment of any part of this royalty.

The utmost that appellee claims for this release in its answer is that "an agreement of compromise" was made of moneys received "by this defendant in the way of back damages and of bonuses and the transfer of patents" to it. No claim is made in the answer that it was a compromise of any other matter. There is no evidence that this was included. If it had been included in the alleged "compromise" would not some mention of it have been found in the instrument itself? Not one cent was paid to appellant on account of this royalty or for a release thereof.

This release does not refer to, nor purport to release appellee from any claim for back damages on account of Scutt & Co. or the Ohio Steel Barb Fence Co. The "back damages" as to these two companies were settled under the modified contract of December 8, 1878.

This release of July 27, 1881 must from its nature and the occasion of its existence relate solely to the bonuses (premiums) and back damages of the parties licensed in January or February 1881. It

collected bonuses and back damages from the previous infringers alone. It collected no bonuses from Scutt & Co. or the Ohio Steel Barb Fence Co. (R. 411.) There were neither back damages nor bonuses in these two cases. They were then manufacturing under license where the rate of royalty was fixed by contract. There certainly could be no bonuses or back damages on the manufacture of I. L. Ellwood & Co. or upon appellee's own manufacture.

The terms of this July 27, 1881 release are clear and distinct. It is not ambiguous; it needs no extraneous evidence to explain it. The instrument was carefully drawn by appellee's counsel. (R. 280). When a contract is carefully drawn, as here, Courts will not imply a covenant, unless plainly intended.

Hudson River Canal Co. v. *Penns. Coal Co.* 8 Wall. 276.

A Court of equity will not incorporate an agreement in a contract which was not contemplated by the parties. *Thompsonville Scale Mfg. Co.* v. *Osgood* 26 Conn. 16.

There is no pretense and there certainly is no evidence that appellee, prior to January 1, 1881, entered into any contract or did any act on the faith of the modified contract of August 7, 1879, or that by reason of such contract, appellee reduced the the selling price of barb wire. It is not entitled to any reduction of royalty on wire prior to January 1, 1881, because it did not keep its covenant of Aug. 7, 1879.

This sum of $42,670.93 was never contemplated to be and it was not in terms or in fact released by appellant, it is justly due appellant from appellee. To compel appellee to pay this amount to appellant. would work no hardship on appellee, but would simply carry out the contract of the parties and compel appellee to pay appellant money collected and retained by appellee, now in its hands and which is legally due and equitably belongs to appellant.

Stiles & Calkins' License.

Appellee avers by its answer that a license was issued, at the request of appellant, to Stiles and Calkins, individually, for 2,000 tons, and that such license was then worth $20,000, and was a part consideration of such release. This, however, is not the fact.

Appellee granted 40 licenses between July 1, 1881, to an aggregate annual tonage of 48,000 tons. Appellee collected bonus money from but *twenty-four* licensees, who represented less than *one half* of the tonnage then granted. (R. 377, 411.) Appellee granted 41 licenses, subsequent to August 7, 1881, and prior to February 12, 1885, to an aggregate annual tonnage of 60,000 tons. Out of these 41 licensees it collected bonus money from 12 only, who represented but 8600 tons. In *forty-seven* out of eighty-three licensees (including Stiles & Calkins, and Haish), and in 88,500 out of 108,000 total tonnage, no bonus was collected at all. If this bonus was of such great value appellee could and would have collected $1,080,000. All it says it collected was but $111,728.38. (R. 411.)

These facts show stronger than the testimony of any witness that such "Bonus" money was worth just what appellee could get—or just what any licensee would pay "for the privilege of a license," and no more.

If then this license was granted to Stiles & Calkins for or on behalf of, or as consideration, moving to appellant, would not such fact have been mentioned in such release when Dodge was driven to extremes for some recital, to give the paper the appearance of having some valid consideration? And would not such fact have been recited in some one of the many papers then executed, and would not some of appellee's witnesses have so said? If appellee received this alleged $20,000 bonus, why did it not include it in the statement of bonus money's received which it furnished in evidence. (R. 411.)?

Before making the contract of July 3, 1876, Washburn and appellee's counsel, Dodge, carefully examined the by-laws of appellant. (R. 123, 124, 170.) In fact, appellee's counsel then made a copy of such by-laws. Dodge drew the resolutions authorizing and ratifying the contract of July 6, 1878. (R. 254.) Appellee then knew that under such by-laws neither Stiles or Calkins had any authoriry to execute any contract on behalf of appellant, until or unless the same were first reported to and approved by its Board of Directors. R. 218, § 8.)

Appelleee could have informed appellant's Board of Directors that an allowance of $20,000, was, made for this license, and have them approve such action, if such were the fact. Dodge drew the papers knowing they would be approved by the Directors as drawn.

It is too late now to say, that such representation that the consideration mentioned at $10,000. was false.

Stiles and Calkins, as was their duty under appellant's By-laws. made their report to appellant of the contracts executed, and as to what consideration passed at the time this Release was executed. Such report and the proceedings (August 1, 1881) of the directors of appellant thereon are in evidence. (R. 223.) These proceedings show the consideration moving to appellant, and just what papers passed. This report is a written declaration made under the powers by which appellant purported to act, and at a time when Stiles and Calkins had every inducement to state the truth. This report made in discharge of a duty is admissable evidence. Greenl. on Ev. § 115. Taylor on Ev. § 704. An individual license to Stiles and Calkins was of the same, (and no greater) moment to appellant, as any license issued to any other person, viz; the "supplying the demand for this article" (barb wire) which it was the duty of appellee under its contract to fulfill, and the receipt of royalty thereunder, in which appellee was more interested than appellant.

Such report shows the payment of $10,000. and no more. It shows appellant released claims for back damages to be collected from James H. Coon. It shows they executed a contract agreeing to (appellee's) contract with Jacob Haish and of their license with him, and the assignment of the Mack patent (No. 162,835. R. 831). one of the earliest letters patent, antedating the Kennedy and Haish "S" barb letters patent, and being the first letters patent having the barbs made by twisting the main strands of the wire. What value was put upon the Mack patent is not shown. But it, like the Kennedy and Haish, was put among appellee's "Bank" of patents.

While these numerous papers are recited in such report as to what papers were then executed between appellant and appellee, no such paper or consideration as a license to Stiles and Calkins is mentioned. Never in any communication during the life of this contract did appellee intimate that Stiles & Calkins received this license as a part of that settlement. There was no such consideration. But. on the contrary, a paper executed between appellee and Stiles & Calkins, at the same time such license was issued, shows it was issued solely at the request of Stiles and Calkins, and to them, individually. And that while their license provided that they should not manu-

facture directly or indirectly for any other person, still appellee and Ellwood covenanted not to construe their relations with appellant as a violation of such covenant. (R. 216, Ex. 58 *a*.)

(2.) It is true that Stiles, subsequently, in a suit instituted by appellee and Ellwood upon the Glidden patent (Beat Em All — Barb Wire Case, 142 U. S., 275) testified, that the license to Stiles and Calkins was included in the alleged settlement made July 27th, 1881. (R. 251.) But at the time he made this statement Stiles was not acting as a representative of appellant, but was on cross-examination as a witness for appellee. Appellant was no party to that suit.

Unless Stiles was acting for appellant at the time, appellant is not bound by any such statement.

What Stiles and Calkins there said is no part of the *res gestae*.

Says Mr. Justice SWAYNE, in *Northwestern Union P. Co.* v. *Clough*, 20 Wall., 528,

"An act done by an agent can not be varied, qualified or explained either by his declarations, which amount to no more than a narrative of a past occurrence, or by an isolated conversation held, or an isolated act done at a later period. *1 Taylor Ev. 526, The reason is that the agent to do the act is not authorized to narrate what he had done or how he had done it, and his declaration is no part of the res gestae.*"

Quoted and approved by Mr. Justice HARLAN in *Vicksburg etc. R. R. Co.* v. *O'Brien*, 119 U. S., 99.

They are declarations of a past transaction, mere hearsay.

Leeds v. *Marine Ins. Co.*, 2 Wheat., 380.
Winchester Co. v. *Creary*, 116 U. S., 161.

"The representations, declarations, and admissions of the agent of a corporation, stand upon the same footing with those of an individual. To bind the principal they must be within the scope of the authority confided to the agent and must accompany the act or contract which he is authorized to do or make." Angel & Ames on Cor. § 309.

"Declarations or statements of individual Directors when the Board was not in session, and when such declarations or admissions did not accompany any official act, are deemed incompetent."

Peek v. *Detroit Novelty Works*, 29 Mich., 313.
Mer. Natl. Bank v. *Clark*, 139 N. Y. 314.

The evidence is that if such were the fact, such fact was never made known to other directors of appellant, who could not ratify the act until fully informed.

Nor can it be said there was any *ratification by appellant of the action of Stiles and Calkins'* in taking this license in their name, as a part of this settlement, even if such were the fact.

As was said by Mr. Justice SHIRAS in the *Western Natl. Bank* v. *Armstrong*, 152 U. S. 346, where the question of ratification of the Bank's Vice President in borrowing money came up:

"It is scarcely necessary to say that a ratification to be efficacious must be made by a party who has power to do the act in the first place, that is, in the present case, the Board of Directors: and that it must be made with knowledge of the material facts. There is not the slightest evidence shown in this record that the board of the Fidelity National Bank by any act formal or informal, undertook to ratify Harper's action in the premises, or that they ever had any knowledge of the transaction."

It is true that in this case, appellant did know Stiles and Calkins had a license. Gary Calkins, one of the directors, however, testifies: that he never knew that any consideration was paid for this license. (R. 321, 322.) There is no evidence to show that the other two Directors knew such fact, (if it were the fact) knowledge of which must first be given to them before a ratification can be imputed on appellant's part. No witness for appellee says there was any consideration moving to appellant from appellee for such license.

If the court should take the view that appellee was entitled to a credit of this pretended bonus of $20,000. it must decree that appellant recover an additional royalty of 10c. upon Stiles and Calkins' and each licensee's manufacture, prior to July 12, 1883, as in charging such bonus, it was *not* complying with the contract of August 7, 1879.

There is no escape from such conclusion.

The payment of $10,000. was not a sufficent consideration for the release.

(1.) The license then to Stiles & Calkins being no part of the consideration for the release of July 27th, 1881, the sole and only consideration therefor then was, as averred in the bill of complaint. the $10,000. paid to appellee by appellant.

Counsel say that this was a good consideration for this release

This is not the law. This payment in law and in equity was in fact no consideration. There was not even room to doubt that ap-

pellee was in duty bound to pay, and then owed appellant under its contract of upwards of the sum of $180,000., for royalty for damages committed prior to January 1, 1881, and paid to appellee.

The $10,000. paid was in fact but a part of this sum of $180,000. then due.

The payment of a part of a sum due has never been considered a good or sufficient consideration for the release of the balance of the indebtedness, without some new or other valuable consideration moving therefor. No new or other valuable consideration did move to appellant therefor. The law is clearly stated by Mr. Justice ELLSWORTH, in *Warren* v. *Skinner* 20 Conn., 559. He says:

"It is no longer a question whether payment of part of the debt is a satisfaction of the whole, either considered as payment, or as an accord and satisfaction, for an accord is an agreement, but there is no agreement without a consideration, and receiving part only is no consideration for an agreement not to collect the rest. It is a nude pact."

In the *Pinnel's* Case, 3 Coke, 238, the Court say: "And it was resolved by the whole Court, that the payment of a lesser sum on the day, in satisfaction of a greater cannot be in satisfaction of the whole, because it appears to the judges that by no possibility a lesser sum can be satisfaction to the payee of a greater sum."

The only way the indebtedness due appellant from appellee could have been satisfied, would have been upon some new contract founded upon some new and sufficient consideration.

Chitty on Contracts, 747.
2 Greenleaf on Evidence, 28—493.
1 Smith's Leading Cases, 633, 8th Ed.
Cumber v. *Wane*, 1 Str. 426.
Fitch v. *Sutton* 5 East., 230.
Heathcote & Crookshanks, 1 Term Rep.. 24.
Good v. *Cheesman*, 2 B. & Adol.. 328.
Neal v. *Handley*, 116 Ill., 418.
Hayes v. *Mass. Life Ins, Co.*, 125 Ill., 626.
Rose v. *Hall*, 26 Conn. 392.
Miller v. *Holden*, 18 Ver., 337.
Acker v. *Phœnix*, 4 Paige, 305.
Boyd v. *Hitchcock*, 20 Johnson. 76.

(2.) Inadequacy of consideration so gross as to shock the conscience has always been considered a ground for interposition of a court of equity; and inadequacy of consideration, in connection with the circumstances which are charged as constituting fraud or inequitable conduct, are always grounds for equitable jurisdiction.

Story's Eq. Jur., § 244, 245.
Pomeroy's Eq. Jur., § 928.

It would be a useless task to examine and review the numerous cases cited in the Text Books, and attempt to establish a rule as to what would be such a consideration, which courts would declare fraudulent *per se.*

Says Lord ERSKINE in *Morse* v. *Royal*, 12 Vesey, 372, "If the court can discover that some advantage has been taken, some information acquired which the other did not possess, although it has not to be precisely discovered, inadequacy, without going to the length of requiring it to be such as shocks the conscience, will go a vast way to constitute fraud."

Says Mr. Justice BRADLEY, in *Graffam* v. *Burgess*, 117, U. S., 184: "Great inadequacy requires only slight circumstances of unfairness in the conduct of the party benefited by the sale to raise presumption of fraud."

The law on this point is very clearly stated, in the case of *Butler* v. *Haskell*, 4 Desaure Eq., (S. C.) 651.

The heirs apparent of an idiot (his estate being in the hands of a Committee) employed an agent to procure testimony to establish their relationship to the idiot. The agent was to receive as compensation ten per cent. of the amount recovered. The agent then purchased the interest of the heirs at about one-fourth its value, and received a conveyance and a power of attorney from the heirs, to procure a decree; the agent to receive to his use their respective shares.

The Court elaborately reviewing the authorities as to what inadequacy of consideration is necessary to set aside a conveyance between principal and agent under the circumstances, says: (p. 684),

"The rule is quite clear, that in all cases of this kind, where a great advantage is gained in a contract by an agent from his principal, the proof lies on him to show that the transactions were perfectly fair and pure." * * *

"Great inadequacy of price has everywhere been considered an evidence of unfairness in the contract, so as to induce the Courts of Justice to look upon such transactions with a very jealous eye. By the civil law a sale was declared to be void if the property was sold for less than *one-half* its value. The French code civil has adopted the Roman rule, but enlarged its limits a little. The seller may obtain a rescission of the contract of sale of real estate, not made at public auction, if the property was not sold for five-twelfths of its value, even though he had expressly *renounced in the contract of sale, the action for the rescission. See 4th Vol. Cod. Civ., p. 370. *Loi Relative a la Vente*, Ch. 6, Sec. 2. Neither the English nor the American legislators have thought it advisable to lay down any precise rule on the subject. It has been left, perhaps wisely, to the experience of the Courts of justice to apply the great principles of equity to each case, according to its particular circumstances; and thus gradually to form a practical system of pure justice. And the Courts have never decided, as a broad principle, that mere inadequacy of price, unconnected with direct fraud or imposition, or concealment, or advantage taken of extreme weakness, or great necessity, should be a distinct and independent ground of vitiating contracts. But the Courts have said, that the inadequacy may be so gross as to furnish strong, and even conclusive presumption of fraud; and that in this way the grossness of the inadequacy may avoid the sale.

"In comparing the inadequacy existing in the case under our consideration with the degrees of inadequacy existing in the decided cases, it seems to come completely within that degree of gross inadequacy which furnished the presumption, and vitiated the contracts. And I should therefore feel obliged by the authorities to pronounce, that the inadequacy was too great to be borne by a Court of justice."

While our courts have never gone to the full extent of the civil law, they frequently refer to it (as above) as a wise rule as to what should be considered a basis for determining an inadequate consideration.

As to the Civil Law, which has stood so long "against the ways and weathers of time," Mr. Chancellor Kent says: "Upon subjects relating to private rights and personal contracts, and duties which flow from them, there is no system of law in which principles are investigated with more good sense, or declared or enforced with more accurate or impartial justice." 1 Com. *547.

(3.) Nor can it be said that there was an accord and satisfaction. The evidence shows that there was no statement of account between the parties. On the contrary, appellee refused to render any statement of account. Whatever rights accrued to appellant, accrued under and by virtue of the terms of the contract, which alone determined

their rights. Under these facts, there can be no accord and satisfaction.

In *Railroad Co.* v. *Lindsay*, 4 Wall., 650, Justice SWAYNE said, in a case where, under a contract between parties and a breach of it, the defendants sought to establish an account stated:

"Nor can the demand be regarded as an open account. The contract was the foundation of the claim, and though not fulfilled according to its letter, either as to time or place of delivery, yet with the qualifications which the law under such circumstances imposes, it determined the respective liabilities of the parties. The plaintiffs could not recover more than the contract price, and the recoupment of the defendants was governed by its requirements on the part of the plaintiffs: its provisions were elements in the case vital to the rights of both parties by their light, and the law arising upon the facts as developed in the evidence, the Court was to be guided in coming to its conclusions."

The letters from appellant to appellee, asking for a statement of account, and the letters of appellee in reply thereto, refusing to render an account are in full accord with Washburn's testimony, that appellee did not furnish any statement of account. His letters to Ellwood between March 1, 1881 and July 27, 1881 are to the same effect. If any statement had been furnished, or an account had been rendered, would not appellee have preserved a copy and produced it in evidence. If appellant, or its counsel, Trumbull, had been fully informed would not appellee have produced upon the trial, their counsel, Messrs. Thurston, Offield, Dodge, who conducted the negotiations in this settlement, or even Judge Trumbull as witnesses, and shown by them or by Ellwood and Coburn, who were on the witness stand, that appellant and its counsel were fully informed of the exact statement of the account between the parties. Such, however, is not the fact.

The course of procedure from the time Washburn left Chicago, in February, at which time he promised to send appellant a statement of account upon his return to Worcester, and then immediately refusing and continuing to refuse to furnish such account up until the very time of settlement, shows that appellee never informed appellant of the account between the parties as to the amount of bonus and back damage money.

Neither Washburn, Coburn or Ellwood say that Trumbull was informed of the amount of back damages. Stiles and the two Calkins denied it. Appellee could easily have proven this fact if it had been true, by calling Trumbull. It can not say that the seal of professional secrecy prevented them from so doing. This privilege is that of his client. Appellant's witnesses testified as to what passed between them and him. Upon doing this the seal of secrecy was removed from Trumbull's lips, and appellee could then have called him, if it desired.

Hamilton v. *People*, 29 Mich., 185.
Rowland v. *Plumer*, 50 Ala., 182.

Or, as stated in *Parker* v. *Carter*, 4 Munf. 286, where a client "Vaunts his disclosures to the public, and as it were, challenges the bystanders to hear them," the seal of secrecy is removed from the lips of his attorney.

Washburn testifies the truth when he says, "We (appellee) never *in January or February*, 1881, OR AT ANY TIME, furnished appellant with a statement of bonus or back damages collected by us." (R. 473.)

Neither appellant or its counsel were fully advised as to the facts. Appellee falsely misrepresented and fraudently concealed the facts from appellant.

It cannot be said there was an accord and satisfaction.

(4.) In answer to appellant's inquiry for such information in January and February, 1881, Washburn sought to mislead appellant and quiet its inquiries among the licensees then present, by promising he would send a full statement of the various amounts collected upon his return to Worcester, and then deliberately refused to furnish a statement. It deceived appellant, when in March, in answer to a similar request for information, it promised to send appellant such report in April. It was guilty of fraud in denying its liability under its contract, when, *during the entire time such controversy was going on*, it was crediting appellant upon its books 15c. for every 100 pounds of back damages, being monthly paid it by its licensees, and had then credited upon its books as due appellant therefor, upwards of $6,833.

It studiously concealed such fact from appellant until the time of taking testimony in this case, eight years afterwards. It was guilty of fraud on appellant in refusing to furnish appellant with a statement of these moneys, repeatedly called for from February to July: and in representing that the statements rendered were according to their books, when they were not. It was guilty of fraud in deliberatly representing to appellant, as a fact, that the cost of litigating the Kelly patents was greater than the entire amount of money collected by it for bonuses and back damages, when in truth the whole cost of appellee's entire patent litigation, involving the Hunt, Smith, Glidden, Kennedy and numerous other barb wire patents, the Putnam and numerous other barb wire machine patents, and all other expenses attending its barb wire business, in which appellant had no interest, did not exceed *one third* of the money collected by it for such bonuses and back damages. It was guilty of fraud on appellant in insisting that appellant was bound under its contract to pay for litigation fees.

It was guilty of fraud towards appellant in threatening to break its contract with appellant for furnishing plain wire, if appellant insisted upon its rights, under its contract with appellee relating to royalty.

What information appellant had was only hearsay derived from rumor among licensees who were enjoined to secrecy by appellee. Millington had been forbidden by appellee to furnish appellant such information. Appellee and Ellwood refused to do so. With this imperfect information and under these circumstances, appellant executed the release of July 27th prepared for it by Dodge and

The Release Should not Stand in Equity.

This release ought not to be permitted to stand in a court of Equity, as appellee standing in a fiduciary relation towards appellant did not perform its duty.

The duties of a trustee in making settlement with his *cestui que trust* are well settled.

"A deed of release by *cestui que trust* to their trustees, must be made with full information of all the circumstances, and of the full extent of the liability of the trustees. * * * It is almost needless

to add, that a release of this description is perfectly worthless, if obtained by any suppression of facts, or fraudulent representations, or other undue practice on the part of the trustee, *and for this purpose imperfect information will be regarded as equivalent to concealment.*" *Hill on Trustees*, p. 821, * p. 525.

"The court will look into transactions between persons in these relative situations with extreme jealousy; and if it find the slightest trace of undue influence used, or unfair advantage taken, will interpose and give redress. Indeed, in some of these cases, as for instance in dealing between guardian and ward, trustees and *cestui que trust*, or attorney and client, the transaction in itself is considered so suspicious, owing to the near connection between the parties, as to throw the proof upon the person who seeks to support it, to show that he has taken no advantage of his influence or knowledge, but has put the other party on his guard, bringing everything to his knowledge which he himself knew." *Ibid* p. 244, * p. 156.

"There may be such relations between the parties that silence, or the non-disclosure of a material fact, will be a fraudulent concealment. If a person standing in a special relation of trust and confidence to another has information concerning property, and contracts with the other, *and does not disclose his exclusive knowledge*, the contract may be avoided, or he may be held as a constructive trustee. Thus, if an attorney contracts with his client without disclosing material facts to him in his possession, the contract would be void. The trust and confidence of the client in his attorney is such that an obligation is imposed upon the attorney to communicate every material circumstance of law or fact. *Mere silence, under such circumstances, becomes fraudulent concealment.* The same rule applies to all contracts of an agent with his principle, trusteewith his *cestui que trust.*" * * *

"If any of the parties above named propose to contract with the persons with whom they stand in such relations of trust and confidence, they must use the utmost good faith. It is not enough that they do not affirmatively misrepresent; *they must not conceal: they must speak*, AND SPEAK FULLY TO EVERY MATERIAL FACT KNOWN TO THEM, or the contract will not be allowed to stand. *Perry on Trusts*, Sec. 178.

"A trustee may purchase of the *cestui que trust*, or accept a benefit from him, *but the transaction must be beyond suspicion;* and the burden is on the trustee to vindicate the bargain or gift from any shadow of suspicion, and *to show that it was perfectly fair and reasonable in every respect*, and courts will scrutinize the transaction with great severity. So if a trustee buys the trust property at a private sale or public auction, he takes it subject to the right of the *cestui que trust* to have the sale set aside, or to claim all the benefits and profits of the sale for himself." *Ibid* § 428.

"A release of the *cestui que trust* will not be binding unless the parties are made fully acquainted with their own rights and the nature and full extent of the liabilities of the trustee. Any concealment, misrepresentations or other fraudulent conduct will vitiate

such a release. There should, therefore, be a full statement and detailed explanation of the accounts which should be referred to in the receipt, release or discharge, *especially if there is anything in the nature of a breach of trust.* Even if the accounts are clearly stated, the release will be set aside, *if there is any misapprehension as to the basis upon which they are made up.*" *Ibid*, § 923.

See, also, Hill on Trustees, p. 899, *581.

"If either party to a transaction conceals some fact which is material, which is within his own knowledge, *and which it was his duty to disclose,* he is guilty of actual fraud." Pomeroy Eq. § 901.

This duty to disclose arises whenever "there is a previous, existing, definite fiduciary relation between the parties, so that the obligation of perfect good faith and complete disclosure always form the existing relations of trust and confidence * * * . Familiar examples are contracts and other transactions between a principal and agent * * * a beneficiary and trustee * * * and the like." *Ibid*, § 902.

"A purchase by a trustee from his *cestui que trust*, even for a fair price and without any undue advantage, or any other transaction between them by which the trustee obtains a benefit, is generally voidable and will be set aside on behalf of the beneficiary; it is at least *prima facie* voidable upon the mere facts thus stated." *Ibid*, § 958.

"PRINCIPAL AND AGENT.— Equity regards and treats this relation in the same general manner, and with nearly the same strictness, as that of trustee and beneficiary. The underlying thought is that an agent should not unite his personal and his representative characters in the same transaction; and equity will not permit him to be exposed to the temptation, or brought into a situation where his own personal interests conflict with the interests of his principal and with the duties which he owes to his principal. * * * In any contract of purchase or sale with the principal, or other transaction by which the agent obtains a benefit, a presumption arises against its validity which the agent must overcome; although this presumption is undoubtedly not so weighty and strong as in the case of a trustee. The mere fact that a reasonable consideration is paid and that no undue advantage is taken, is not of itself sufficient. Any unfairness, any underhanded dealing, any use of knowledge not communicated to the principal, any lack of the perfect good faith which equity requires, renders the transaction voidable, so that it will be set aside at the option of the principal." *Ibid*, § 959.

"The burden of proof is on the trustee to show the release was obtained without fraud, without concealment, and that no advantage taken by him of information within his knowledge." Spence's Eq. Jur., * p. 944.

"If persons, having a confidential character, were permitted to purchase, they might avail themselves of the knowledge acquired in

that capacity, and might be induced to conceal their information and not make use of it for the benefit, relying on their integrity. The two characters of trustee and purchaser are inconsistent." *Ibid.* * 933.

"The law, in order to prevent undue advantage, from the unlimited confidence, affection, or sense of duty, which the relation naturally creates, requires the utmost degree of good faith (*uberrima fides*) in all transactions between the parties. If there is any misrepresentation, or any concealment of a material fact, or any just suspicion of artifice or undue influence, courts of equity will interpose, and pronounce the transaction void, and, as far as possible, restore the parties to their original rights." Story's Eq. Jur. § 218.

"In all cases of purchases and bargains respecting property, directly and openly made between principals and agents, the utmost good faith is required. The agent must conceal no facts within his knowledge which might influence the judgment of his principal, as to the price or value; and, if he does, the contract will be set aside. The question in all such cases does not turn upon the point whether there is any intention to cheat or not; but upon the obligation, from the fiduciary relation of the parties, to make a frank and full disclosure." *Ibid*, § 316.

"Cases of account between trustees and *cestui que trust* may properly be deemed confidential agencies, and are peculiarly within the appropriate jurisdiction of courts of equity. The same general rules apply here, as in other cases of agency. A trustee is never permitted to make any profit to himself in any of the concerns of his trust." *Ibid*, § 465.

"In the case of a trustee it is not sufficient to show that no advantage has been taken but the *cestui que trust may set aside the transaction at his own option.*" *Ibid*, § 311.

This is the doctrine laid down by all writers upon Equity Jurisprudence.

Says Chancellor KENT, Vol. 2, *p. 490.

"But if a person stands in the relation of trustee, or *quasi* trustee to another as agent, factor, steward, attorney, or the like, if he would purchase for his principal or employer any property committed to his care, he must deal with utmost fairness and conceal nothing within his own knowledge which may effect the price or value; and if he does the bargain may be set aside. Bargains between trustee and *cestui qui trust* are viewed with great jealousy, and they will not be sustained unless under very unexceptionable circumstances."

"A person cannot act as agent for another and become himself the buyer; he cannot be both buyer and seller at the same time or connect his own interest in his dealings as an agent or trustee for an-

other. It is incompatible with the fiduciary relation. *Emptor emit quam minimo potest venditor vendit quam maximo potest.* The rule is founded on the danger of imposition, and the presumption of the existence of fraud inaccessible to the eye of the court. The policy of the rule is to shut the door against temptation, and which, in the cases in which such a relationship exists, is deemed to be of itself sufficient to create the disqualification." Kent's Commentaries, Vol. 4, *438.

A reference to a few of the many cases, shows that this doctrine is fully supported by the decisions.

In *Torrey* v. *The Bank of Orleans*, 9 Paige's Ch. 662, Chancellor WALWORTH says:

"It is a settled principle of equity that no person who is placed in a situation of a trust or confidence in reference to the subject of the sale can be a purchaser of the property on his own account. And in the recent case of *Greenlaw* v. *King*, decided in the court of chancery, in England, in January, 1841, (5 Lond. Jur. 18,) Lord Cottenham held that the principle was not confined to a particular class of persons, such as guardians, trustees, or solicitors; but was a rule of universal application to all persons coming within its principle, which is that no party can be permitted to purchase an interest where he has a duty to perform that is inconsistent with the character of purchaser."

In *Brooks* v. *Martin*, 2 Wall. 70, which was a bill filed by one partner against the other who had the entire management of the business, and who in settlement had refused to give full information as to the exact state of the account between the partners, on the ground that the other was not entitled to the money. This case is "on all fours" in principle with the case at bar. The relation between trustee and *cestui que trust,* and between partners, is the same, viz: that of principal and agent.

Mr. Justice MILLER there says: "Under these circumstances, Brooks must be held to have been not only the partner, but the special agent of Martin; and the purchase made by him of Martin's interest must be tested by the rules which govern such transactions as between principal and agent.

"What are these rules? 'On the whole, the doctrine may be generally stated, that wherever confidence is reposed, and one party has it in its power, in a secret manner, for his own advantage, to sacrifice those interests which he is bound to protect, he will not be permitted to hold any such advantage.' Or, to speak more specifically, 'if a partner who exclusively superintends the business and accounts of the concern, by concealment of the true state of the accounts and

business, purchase the share of the other partner for an inadequate price, by means of such concealment, the purchase will be held void.

"Speaking of a purchase by a trustee from his *cestui que trust*, Lord Chancellor Eldon says, in the case of *Coles* v. *Trecothick* (9 Vesey, p. 234) that, 'Though permitted, it is a transaction of great delicacy, and which the court will watch with the utmost diligence; so much, that it is very hazardous for a trustee to engage in such a transaction. A trustee may buy from the *cestui que trust*, provided there is a distinct and clear contract, ascertained to be such after a jealous and scrupulous examination of all the circumstances, provided the *cestui que trust* intended the trustee should buy, *and there is no fraud, no concealment, no advantage taken by the trustee of information acquired* by him in the character of trustee. I admit," he says, 'it is a difficult case to make out, wherever it is contended that the exception prevails.' This has long been regarded as a leading case, and the above remarks have been often recited by other courts with approbation. We think them fully applicable to a purchase, by an agent from his principal, of the property committed to his agency." * * *

"We lay down, then, as applicable to the case before us, and to all others, of like character, that in order to sustain such a sale, it must be made to appear, *first*, that the price paid approximates reasonably near to a fair and adequate consideration for the thing purchased; and, *second*, that all the information in possession of the purchaser, which was necessary to enable the seller to form a sound judgment of the value of what he sold, should have been communicated by the former to the latter."

Brooks v. *Martin*, recently came before the Court and was approved in *Patrick* v. *Bowman*, 149 U. S., 412, both in the majority and dissenting opinions.

Coles v. *Trecothick* has been followed, in all cases subsequent to the time of Lord Chancellor Eldon, as the leading case.

Lord LYNDHURST, said in *Trevelyn* v. *Charter*, 4 L. J., (N. S.). Ch. 211. "It is a clearly settled rule, that an agent, who so deals with his employer (principal), must prove all the circumstances necessary to give validity to such a transaction. He is bound to show there was no concealment, no unfair representation, and that in purchasing the estate himself, the same advantages were afforded to his principal as if the estate had been sold to any other person."

The subject of a trustee purchasing from his *cestui que trust* is very fully discussed, and the authorities referred to and carefully examined, in the often cited case of *Michoud* v. *Girod*, 4 How., 503, where it is clearly held, that if there is any inadequacy of price, or any inequality in the bargain, such sale will not be upheld in equity.

Although, in that case the purchase was through a third person, the principle, however, is there held to be the same as if the sale was made direct. Equity will not permit an act to be done by indirect means which it would not suffer to be done directly.

Mr. Justice WAYNE says: "If a trustee, though strictly honest, should buy for himself, an estate from his *cestui que trust*, and then should sell it for more, according to the rules of a court of equity, from general policy and not from any peculiar imputation of fraud, he would be held still to remain a trustee to all intents and purposes, and not be permitted to sell to or for himself. 1 Story Eq., 2 Ed., 317; *Fox* v. *Mackreth*, 2 Bro. Chy., 400."

The Court also refers to *Davoue* v. *Fanning*, 2 Johns. Ch., 252.

See, also, *Fox* v. *Mackreth*, White & Tudor's, Leading Cases in Eq.,* p. 115, and notes, where this question is fully discussed.

Says Mr. Chief Justice FULLER in *Hammond* v. *Hopkins*, 143 U. S., 251, "The often cited case of *Michoud* v. *Girod*, 4 How., 503, laid down the general rule that a person cannot purchase legally on his own account that which his duty or trust requires him to sell for another, nor purchase on account of another that which he sells on his own account, and that a purchase, *per interpositan, personam* by a trustee or agent of the particular property of which he has the sale, or in which he represents another, whether he has an interest in it or not, carries fraud on the face of it."

Hoyt v. *Latham*, 143 U. S., 553, was a bill filed to set aside a sale from a trustee to himself and associates.

The Court properly refused to set aside the sale as every fact was known to all parties in interest, and because the property purchased largely increased in value.

Mr. Justice BROWN says; "We have no desire to weaken or qualify in any way the wholesome doctrine laid down by this court in the case of *Michoud* v. *Girod*, 4 How., 503, that a trustee can not legally purchase on his own account, that which his duty requires him to sell on account of another, nor purchase on account of another that which he sells upon his own account. In other words, he can not unite the two opposite characters of buyer and seller. *So jealous is the law of dealings of this character by persons holding confidential relations to each other, that the cestui que trust may avoid the transaction even though the sale was without fraud; the property sold for its full value, and no actual injury to his interests be proven.*"

Says Mr. Justice JOHNSON in *Wormly* v. *Wormly*, 8 Wheat., 421, in discussing the question of purchase by trustee of the property of his *cestui que trust*, although the Court found nothing "But liberal-

ity in the conduct of the trustee towards the *cestui que trust*, and little less than improvidence, caprice, and ingratitude in the conduct of the latter. Nevertheless, there are canons of the Court of equity which have their foundations not in the actual commission of fraud, but in that hallowed orison 'Lead me not into temptation,' * * *

"Hence the fairness or unfairness of the transaction or comparison of price and value is not suffered to enter into the consideration of the Court on these occurrences, but the rule is positive and general, that the *cestui que trust* may be restored to his original rights *against the trustee at his option* * * * The rule which requires this adjudication may, in many cases, be a hard one, but it is a fixed rule, and has the sanction of public policy."

In *Stephen* v. *Beall*, 22 Wall., 329, Mr. Justice HUNT says:

"It is a general rule, that a trustee can not deal with the subject of his trust. If one acting as trustee for others becomes himself interested in the purchase, the *cestuis que trust* are entitled, *of course*, to have the sale set aside, unless the trustee had fairly divested himself of the character of the trustee."

In *Wadsworth* v. *Adams*, 138 U. S., 389, Mr. Justice HARLAN says: "The law requires the strictest good faith upon one occupying a relation of confidence to another." (Citing *Story on Agency*, § 31, 211).

A similar case is *Robertson* v. *Chapman*, 152 U. S., 673, and although that was a purchase by a trustee in the name of or through a third party still the principle, as we have shown, is identical.

Mr. Justice HARLAN says: "What is the case as to the defendant Polk? It is not to be doubted that the relations between himself and the plaintiff in respect to the sale of this property, were those of agent and principal. He was precluded by the position voluntarily assumed by him from taking advantage of his principal, or from dealing with the property committed to his care in any other capacity than as an agent, who was bound to subordinate his own interests to those of his principal. He could not, directly or indirectly, become the purchaser and maintain any title thus acquired as against his principal; for, in so purchasing, his duty and his interest would come in conflict. If an agent to sell effects a sale to himself, under the cover of the name of another person, he becomes, in respect to the property, a trustee for the principal, and, at the election of the latter, seasonably made, will be compelled to surrender it, or, if he has disposed of it to a bona fide purchaser, to account not only for its real value, but for any profit realized by him on such resale. And this will be done upon the demand of the principal, although it may not appear that the property, at the time the agent fraudulently acquired it, was worth more than he paid for it. *The law will not, in such case, impose upon the principal the burden of proving*

that he was, in fact, injured, and will only inquire whether the agent has been unfaithful in the discharge of his duty. While his agency continues, he must act, in matter of such agency, solely with reference to the interests of his principal. The law will not permit him, without the knowledge or assent of his principal, to occupy a position in which he will be tempted not to do the best he may for the principal."

Gibson v. *Jeys*, 2 Vesey, Jr., 278, where a solicitor purchased an annuity from his client at about one half its value, Lord ELDON compelled him to account and said:

"He who bargains in matter of advantage with a person placing confidence in him, *is bound to show that a reasonable use has been made of that confidence*, a rule applying to *trustees*, attorneys or any one else." (See cases cited p. 276.)

Lord ELDON said in *Hatch* v. *Hatch*, 9 Vesey, 297 speaking, of a settlement between guardian and ward,

"If the Court does not watch these transactions with a jealousy almost invincible, in a great majority of cases, it will lend its assistance to fraud."

In Ex parte *Lacey*, 6 Vesey, 627, Lord ELDON also says:

The rule "Is founded upon this, that though you may see in a particular case that he (the trustee) has not made advantage, it is utterly impossible to examine upon satisfactory evidence in the power of the Court, by which I mean in the power of the parties in 99 cases out of an 100 whether he has made advantage or not."

Commenting upon Ex parte *Lacey*, 6 Ves., 626, Lord BROUGHAM in *Hamilton* v. *Wright*, 9 Clk. & F., 124, said:

"So the conduct of the trustee not being blamable in the purchase is nothing to the purpose, for the court must act upon the general principle, and unless the policy of the law makes it impossible for the trustees to do anything for their own benefit it will be impossible for the court to see in what cases the transaction is morally right, and in what cases it is not."

Speaking of a deal between principal and agent, JAMES, L. J. says in *Panama Tel. Co. v. India Rubber Co.*, L. R., 10 Ch. App., 515.

The defrauded principal, "If he come in time, is entitled *at his option*, to have the contract rescinded; or, if he elects not to have it rescinded, to have such other adequate relief as the Court may think right to give him."

In *Manning* v. *Cox*, 7 Moore, Rep., 617.

A release was executed to a trustee by the children of the testator, pending the suit was not allowed to stand. There was no account-

ing (as at bar) between the parties at the time the release was obtained.

The Court says: the release must have been given to him in the character of trustee, and "in direct breach of the trust reposed in him. It is, therefore, fraudulent, and the defendant ought not to be allowed to avail themselves of it in this action."

In order to set aside a purchase by a trustee, it is not necessary to show that he has made any advantage by his purchase.

Whichcote v. *Lawrence*, 3 Ves. Jr., 740.
Campbell v. *Walker*, 5 Ves. Jr., 680.
Ex parte Lacey, 6 Ves. Jr., 626.
Ex parte James, 8 Ves. Jr., 348.
Ex parte Bennett, 10 Ves. Jr., 393.

An agent who contracts with his principal does so, subject to the burden of proving, that in entering into the contract he did not take advantage of his situation to benefit himself, at the expense of his client.

Randall v. *Errington*, 10 Ves., 423.
Montesquieu v. *Sandys*, 18 Ves. Jr., 302.
Medlicott v. *O'Donel*, 1 Ball & B. 156.
Carter v. *Palmer*, 8 Clk. & F. 657.

In *Farnum* v. *Brooks*, 9 Pick. 212. The cases are also fully examined and the law is thus stated:

"*He must deal fairly, misrepresent nothing, and give to his creditor* all the facility in his power *to know the value* of the interest which is the subject of the bargain." (p. 225.)

Again on page 232: "It may be taken as the result of all the cases, that any material *misrepresentation*, or actual *concealment of facts* which are essential to a fair understanding of the subject of the contract, *its value, and the relative bearing of the offered consideration* made by a trustee to the *cestui que trust*, or by an agent to his principal, is a fraud which will vitiate the bargain; and that *trustees*, and those who are affected by that character in a court of equity, or who stand in a confidential relation towards the property and the owner, are still further obliged in their bargains relating to the trust fund, not only not to misrepresent, and not to conceal, but also to disclose everything known to them which in the mind of a prudent man would be likely to affect the bargain. And if this is not done, although there may be no design to cheat, it is a constructive fraud. Perhaps the whole doctrine is summed up in this brief sentence, taken from a case in 1 Sch. & Lefr. 209, 'Concealment of a material fact, by the party whose duty it is to

disclose it, is sufficient to set aside a contract. And in another book, (1 Simons' Ch. Rep. 89,) it is said, that a partner purchasing must *give a full account* of the state of the property. And in 3 Swanst., 73, it is said *full information is required.* And in 14 Ves. 300, *that although the purchaser may not be aware of the duties of giving information, etc., which the court would require in the situation in which he stood,* it is necessary *to impute knowledge which the party may not actually have had.*" (The italics are the court's.)

In *Green* v. *Winter,* 1 Johns Ch. p. 36, says Chancellor LIVINGSTON: "A trustee is not permitted to use the information he gains as trustee, by purchasing in for himself. It would be an extremely wrong thing, as the Lord Chancellor said in *Morris* v. *Le Neve* (3 Atk. 37). The principle is the same as to buying in the trust estate, or buying securities upon it. A trustee cannot act for his own benefit in a contract on the subject of the trust. (*Morret* v. *Paske,* 2 Atk. 52; *Forbes* v. *Ross,* 2 Bro. 430.) The object of the rule is to keep trustees within the line of their duty. A Court of Equity watches the conduct of a trustee with jealousy; and if he compounds debts or mortgages, or purchases them in at a discount, he shall not be suffered to turn the speculation to his own advantage. (3 P. Wms. 249, Note a. 1 Salk. 155.)"

Davone v. *Fanning,* 2 Johns., Ch., 252, an executor bought in the property of the testator at public sale. Chancellor KENT reviews the authorities and says:

"However innocent a purchaser may be in the given case, it is poisonous, in its consequences. The *cestui que trust* is not bound to prove, nor is the court bound to judge, that the trustee has made a bargain advantageous to himself. The fact may be so, and yet the party not have it in his power distinctly and clearly to show it. There may be fraud, as Lord Hardwicke observed, and the party not able to prove it."

Chancellor KENT, in the same case commenting upon *Munro* v. *Alaire,* says: "We can not but notice the precision and accuracy with which the rule and the reason of it are here stated."

In *Munro* v. *Alaire,* 2 Caines Cas., 183, Mr. Justice BENSON said: "It is a principle that a trustee can never be a purchaser, and I assume it as not requiring proof, that this principle must be admitted not only established at the adjudication but also, as found an indespensable necessity to prevent that great inlet, fraud, and those dangerous consequences which would ensue if trustees could themselves become purchasers, or if they were not in every respect kept within compass, although it may seem hard that a trustee should be the only person of all mankind who may not purchase, yet, for many obvious consequences, it is proper, and the rule should be strictly pursued, and not in the least relaxed."

Commenting on *Davoue* v. *Fanning*, the Court in *Price* v. *Winter*, 15 Fl., 109, says:

"I understand the rule as (there) expressed to embrace every relation in which there may arise a conflict between the duty which the vendor owes to the person with whom he is dealing or on whose account he is acting and his own individual interest."

In *Jewett* v. *Miller*, 10 N. Y., 402.

Where a trustee purchases goods with money of *cestui que* trust, (or at his own sale).

JOHNSON, J., says: "It is hardly possible to state the rule of equity too broadly or too strongly. It will not permit a trustee to subject himself to the temptation which arises out of the conflict between the interests of a purchaser and the duties of a trustee.

In *Van Epps* v. *Van Epps*, 9 Paige, Chy. 238, Mr. Chancellor WALWORTH, says: The rule is not "confined to trustees, or others who hold the legal title to property to be sold, * * * but applies unusually to all who come within its principle, which principle is, that no party can be permitted to purchase an interest in property and hold it for its own benefit, where he has a duty to perform in relation to such property which is inconsistent with the character of a purchaser on his own account."

Staats v. *Bergen* 2 C. E. Green, (N. J.) 554, a trustee being interested in subsequent mortgages bought the property sold under his mortgage by the Sheriff. Upon a bill filed by the *cestui que* trust to redeem, the Court says:

"The rule is one of public policy. The trustee is not prevented from bidding for property which he himself sells, on the ground simply of a supposition of actual fraud, but because the law has established, as an inflexible rule, applicable to every emergency, that he shall not place himself in a situation in which he will be tempted to take advantage of his *cestui que trust*. This is a wise public regulation, intended to protect a species of property, which, otherwise, would be constantly exposed to peculiar hazard. The trustees therefore, must submit to this regulation, and if he does an act in violation of it, no matter how pure his intention may be, such act is voidable at the instance of the person whom he represents. * * * Nor does this rule rest, to any considerable extent, in the fact that, in a particular line of cases, the trustee has peculiar opportunities for the practice of fraudulent acts, with regard to the property in his charge. The rule, to be efficacious, must be general, and the law implies, therefore, that in all cases of trusts, such opportunities may exist, and consequently the prohibition is universal, that he may not do anything which, while it is an advantage to himself, is, or may be, a loss to the trust estate. So jealous is the law upon this

point, that a trustee may not put himself in a position, in which to be honest must be a strain upon him. The general rule, therefore, applies, not merely in those cases in which the confidence is absolutely betrayed, but when the circumstances are such that there was a temptation to violate it."

Romaine v. *Hendrickson's Executors*, 27 N. J., Eq., 164, where one of several executors became the purchaser of testator's property, the Court says:

"The rule invalidating a sale by a trustee to himself, of trust property, is a rule of public policy, founded upon the highest considerations of safety. It can not be violated in any case without putting it in the power of the *cestui que trust* to avoid the sale. * * *

"So jealous is the law of the interest of the *cestui que trust* that it will not tolerate the slightest antagonism on the part of the trustee. The object of the rule is to prevent the trustee from using his information and power to the prejudice of the *cestui que trust*; whether they are used for the benefit of the trustee or some other person against the *cestui que trust*, the consequences are the same to him, and in either case, justice requires the *cestui que trust* shall have the right to avoid the sale."

That such purchase or settlement is voidable at the option of the *cestui que trust*, see also:

Wedderburn v. *Wedderburn*, 2 Kean, 722.
Gillett v. *Peppercorne*, 3 Beav., 78.
York & Midland R. R. v. *Hudson*, 16 Beav., 485.
Bently v. *Craven*, 18 Beav., 75.
Kimben v. *Burlen L. R.*, 8 Ch., App. 56.
Parker v. *Nickerson*, 112 Mass., 195.

Appellee has not brought itself within the rules under which a trustee may purchase from his *cestui que trust*.

The Defense of Limitations.

It will be claimed that there has been such delay on the part of appellant, that this Court should invoke the bar of the Statute of Limitations, to the relief sought.

(1.) The release was executed in 1881. The contract terminated in 1885. The suit was brought in 1887. This is not within the Limitation Laws of Illinois.

Revised Statutes, Illinois, Chapter, 83, § 16.

(2.) Even if it were within the letter of the Statute, this is an express trust, not an implied trust, to which the Statute of Limitations does not apply.

Story's Eq. § 1520 (a) *et seq.*
Hill on Trustees, * 264, *et seq.*
Perry on Trusts, § 863, *et seq.*
Provost v. *Gratz*, 6 Wheat., 481.
Lewis v. *Hawkins*, 23 Wall., 119.
Riddle v. *Whitehall*, 135 U. S., 621.
Gisborn v. *Charter Oak Ins. Co.*, 142 U. S., 326.

In *Oliver* v. *Piatt*, 3 How., 333, Mr. Justice STORY says:

"Mere lapse of time constitutes of itself no bar to the enforcement of a subsisting trust * * * there may have been an unjustifiable delay and gross inattention * * * but as against persons *consusant* of the trust, it can furnish no ground for any denial of the relief, which the case otherwise requires."

In *Speidel* v. *Henrici*, 120 U. S., 377, Mr. Justice GRAY says:

"Express trusts are not within the Statute of Limitations, because the possession of a trustee is presumed to be the possession of his *cestui que trust*."

Even if this were not an express trust and if express trusts were within the Statute of Limitations we have shown such inequitable conduct and fraud on the part of appellee as would take the case at bar out of the rule.

In *Michoud* v. *Girod*, 4 How., 561, Mr. Justice WAYNE, says:

"There is no rule in equity which excludes the consideration of circumstances, and, in a case of actual fraud, we believe no case can be found in the books in which a Court of equity has refused to give relief within the lifetime of either of the parties upon whom the fraud is proved, or within thirty years after it has been discovered or becomes known to the party whose rights are affected by it."

See also, *Prevost* v. *Gratz*, 6 Wheat., 481.

In *Kirby* v. *Lake Shore &. M. S. R. R. Co.*, 120 U. S., 130 Mr. Justice HARLAN says:

"It is an established rule of equity, as administered in courts of the United States that, where relief is asked on the ground of actual fraud, especially if such fraud has been concealed, time will not run in favor of the defendant until the discovery of the fraud, or until, with reasonable diligence, it might have been discovered."

In *Kilbourn* v. *Sunderland*, 130 U. S., 505, Mr. Chief Justice FULLER says:

"Reasonable diligence is of course essential to invoking the activity of the Court, but what constitutes such diligence depends upon the facts of the particular case. Where a party injured by fraud is in ignorance of its existence, the duty to commence proceedings arises only upon discovery; and mere submission to an injury after the act inflicting it is completed can not generally, and in the absence of other circumstances, take away a right of action, unless such acquiescence continues for the period limited by the Statute for the enforcement of such right. *DeBussche* v. *Alt. L. R.* 8 Ch. Div., 286-314. We hold that the complainants moved with sufficient promptness upon discovering the fraud, and that although, reposing confidence in their agents, they may have neglected availing themselves of some source of knowledge they might have sought, *the defendants can not be allowed to say that complainants ought to have suspected them*, and are chargeable with what they might have found out upon inquiry by such suspicion."

In *Hoyt* v. *Latham*, 143 U. S., 553, Mr. Justice BROWN says:

In cases of actual fraud, *or want of knowledge of facts*, the law is very tolerant of delay."

In Charter v. *Trevelyan*, 11 Clk., & F., *740, Lord CAMPBELL quotes approvingly the words of Lord LYNDHURST in *Trevelyan* v. *Charter*, 4 L. J. (N. S.) Chy. 214, and says:

It does indeed become the duty of the Court when transactions of long standing are brought before it most anxiously to weigh all the circumstances of the case and consider what evidence there may have been which from lapse of time, may be lost. But beyond this, in cases of fraud, time has no effect. Were it otherwise the jurisdiction of the Court would be defeated, not because the case was not one for its interference, but because the author of the fraud had been unable to continue his deception till such a time had elapsed as to prevent the interference of the Court. Such, fortunately, is not the law, and those who may be disposed fraudulently to appropriate to themselves the property of others may be assured that no time will secure them in the enjoyment of their plunder, but their children's children will be compelled by this court to restore it to those from whom it has been fraudulently abstracted."

THE DEFENSE OF LACHES.

It will be argued that appellant's claim has become stale, and that it has been guilty of such *Laches*, as not to entitle it to the aid of a Court of equity.

The case at bar is not within the rules relative to laches as laid down in this Court.

Says Mr. Justice CLIFFORD in *Godden* v. *Kimmel*, 99 U. S., 201, Courts of equity do not enforce the doctrine of laches "where the trust is clearly established, or where the facts have been fraudulently and successfully concealed by the trustee from the knowledge of the *Cestui que trust*."

Laches depend entirely upon the peculiar circumstances of each case.

Says Mr, Justice SWAYNE in *Brown* v. *County of Buena Vista*, 95 U. S., 157.

"A Court of equity applies the rule of laches, according to its own ideas of right and justice. Every case is governed chiefly by its own circumstances."

Bryan v. *Kales*, 134 U. S., 126, was a bill to set aside a purchase by an administrator, at his own public sale. Mr. Justice HARLAN says:

"The granting or refusing relief, upon that ground (laches) must depend upon the special circumstances of each case. * * * *A court of equity should be slow in denying relief upon the mere ground of laches in bringing suit.*

Halsted v. *Grinnan*, 152 U. S., 412, was a bill filed to set aside a survey which had stood unchallanged for 25 years, and where third parties had bona fide acquired interests.

Mr. Justice BREWER says: "The length of time during which the party neglects the assertion of his rights, which must pass in order to show laches, *varies with the peculiar circumstances of each case*, and is not, like the matter limitations, subject to an arbitrary rule. It is an equitable defense, controlled by equitable considerations, and the lapse of time must be so great and the relations of the defendant to the rights such, that it would be inequitable to permit the plaintiff to now assert them." * * * "There must of course have been knowledge on the part of the plaintiff of the existence of the right, for there can be no laches in failing to assert the rights of which a party is wholly ignorant and whose existence he had no reason to apprehend."

See, also:

Harwood v. *R. R. Co.* 17 Wall., 78.
Griswold v. *Hazard*, 141 U. S., 288.
Hammond v. *Hopkins*, 143 U. S., 224.
Galliher v. *Cadwell*, 145 U. S., 368.
Alsop v. Riker, 155 U.S., 448.

The question of laches has arisen in numerous cases in this Court. An examination of some of the leading cases in which relief was re-

fused because of laches, will show that the case at bar does not come within the reason of those cases.*

In most of these cases where the doctrine of laches arose there were no *fiduciary* relations between the parties.

Many of these and other cases will doubtless be cited by appellee's counsel to support the defense of laches.

But Mr. Justice BROWN after reviewing many of these cases. rightly states in *Galliher* v. *Cadwell*, 145 U. S., 368, the rule to be. that

These cases, "All proceed upon the theory that laches is not, like limitations, a mere matter of time; but, principally, a question of the inequity of permitting the claim to be enforced—*an inequity founded upon some change in the condition or relations of the property or the parties.*"

---

*The following are some of the principal of such cases in this Court:

In *Provost* v. *Gratz*, 6 Wheat., 481, by reason of the death of all the original parties to a trust: the lapse of forty years and loss of proof.

In *Piatt* v. *Vattier*, 9 Peters, 405, after thirty years adverse possession elapsed as against a bona fide purchaser, who had made valuable improvements.

In *Bowman* v. *Wathen*, 1 How., 189, upon a bill to set aside a sale of land and valuable ferry rights of which plaintiff had full notice for more than thirty-eight years, and the rights of third parties accrued; the Court says, "others embarked in an undertaking of which plaintiff could have warned them."

In *Wagner* v. *Baird*, 7 How., 235, upon a bill to set aside a sale under a trust deed. forty years had elapsed and the rights of bona fide purchasers accrued.

In *Stearns* v. *Page*, 7 How., 820, complainant was possessed for more than thirty years of full knowledge of all facts on which he sought to set aside an accounting.

In *Kennedy* v. *Bank of the State of Georgia*, 8 How., 586, seventeen years elapsed before the complainant filed a bill to set aside a decree of foreclosure; the property in the meanwhile having passed to the hands of bona fide purchaser.

In *Moore* v. *Greene*, 19 How., 69, upon a bill to set aside a deed executed eighty years before, upon ground that rights of third parties intervened.

In *Beaubien* v. *Beaubien*, 23 How., 190, there was fifty years adverse possession with full knowledge upon the part of the complainants.

In *Harkness* v. *Underhill*, 1 Black, 316, a delay from 1836 to 1854. in establishing a preemption right, the land having been subsequently patented, subdivided into lots and blocks, and passed into the hands of bona fide purchasers.

In *Badger* v. *Badger*, 2 Wall., 87, upon a blll filed to set aside an administrators' sale twenty-six years after the youngest child became of age, and the matters relied on were public record.

In *Harwood* v. *R. R. Co.*, 17 Wall., 78. by reason of delay bona fide purchasers acquired interests.

In *Marsh* v. *Whitmore*, 21 Wall., 178, an attorney bought his client's bonds at public auction. The client was fully informed of such fact, and the prices obtained therefor. Twelve years afterward he filed a bill for an accounting, the bonds having greatly increased in value.

In *Twin Lick Oil Co.* v. *Marbury*, 91 U. S., 587. the parties becoming aware of their rights waited until the property became very valuable.

In *Sullivan* v. *Kennebeck R. R. Co.*, 94 U. S., 806, upon a bill by the stockholders to set aside a foreclosure, and for an accounting. The cause of action accrued seventeen years before, and new parties acquired rights.

In *Godden* v. *Kimmel*. 99 U. S., upon a bill for an accounting of parnership matters dissolved fourteen years previously. one of the partners subsequently dying. and there being no evidence of fraud.

And this is the universally accepted doctrine.

In *McKnight* v. *Taylor*, 1 How., 161, Mr. Chief Justice TANEY says:

"In matters of account where they are not barred by the act of limitations, courts of equity refuse to interfere, after a considerable lapse of time, from considerations of public policy, and from the difficulty in doing entire justice, *when the original transactions have become obscure by time and the evidence may be lost.*"

In *Allore* v. *Jewell*, 94 U. S., 506, upon a bill to set aside a deed obtained six years previous, from a person of weak mind, and for a grossly inadequate consideration, Mr. Justice FIELD says:

"The objection of the lapse of time, six years, before bringing the suit, cannot avail the defendants. If, during this time, from the death of witnesses or other causes, a full presentation of the facts of

---

In *Landsdale* v. *Smith*, 106 U. S., 391, upon a bill to redeem forty-five years after the right of action arose, and thirty years after the death of the party against whom the right accrued, and after the property had gone into the hands of bona fide purchasers.

In *Hayward* v. *Eliot Nat'l Bank*, 96 U. S., 611, upon bill filed against the Bank which sold certain stocks deposited with it as collateral under a warrant of attorney. Upon such sale being made the Bank sent a full itemized account of the sale to the depositor. The stocks sold for their then value, but afterward greatly advanced in value.

In *De Wolf* v. *Hays*, 125 U. S., 614, upon bill to set aside a deed given complainant to to secure her mortgage debt. The suit was brought four years after the deed was given: the lands having in the meanwhile greatly increased in value.

In *Hoffman* v. *Overbey*, 137 U. S., 465, upon bill to set aside compromise with creditors after twelve years, upon admissions of debtor who had since become insane.

In *Underwood* v. *Dugan*, 139 U. S., forty-five years adverse possession by persons who acquired title in good faith and property having advanced greatly in value.

In *Hoyt* v. *Latham*, 143 U. S., 553, upon bill to set aside sale by a trustee to himself the facts were fully known, and the property greatly increased in value.

In *Hammon* v. *Hopkins*, 148 U. S., 224, the transaction was open and facts fully made known to the *cestuis qui trustent*.

In *Felix* v. *Patrick*, 145 U. S., 317, parties had waited for twenty-eight years to set aside a land grant scrip which was originally worth $150., and involving property which had passed into possession of third parties and was then worth over a million dollars and death had removed the witnesses to whatever fraud, if any, was perpetrated.

In *Galliher* v. *Cadwell*, 145 U. S., 368, upon a bill filed by a home-steader to set aside a patent after she had applied for a patent and been refused one, whereupon a patent issued to another. The property then was subdivided and became very valuable.

In *Foster* v. *Manfild etc. R. R.*, 146 U. S., 88, valuable property had been acquired by bona fide purchasers and the parties by whom the fraud was committed and whose testimony was necessary to show such fraud were dead.

In *Johnston* v. *Standard Mining Co.*, 148 U. S. 360,

The plaintiff could readily have ascertained the facts on which he sought relief, and the property being mining property passed into the hands of third parties, and "suddenly developed an enormous increase in value."

In *Halsted* v. *Grinnan*, 152 U. S., 416, where plaintiff sought to set aside a survey which had stood unchallenged for twenty-five years, and where a third party had *bona fide* purchased and acquired interests on the strength of such survey.

the case had become impossible, there might be force in the objection. But as there has been no change, in this respect, to the injury of the defendant, it does not lie in his mouth, after having, in the manner stated, obtained the property of the deceased, to complain that her heir did not sooner bring suit against him to compel its surrender."

In *Wollaston* v. *Tribe*, *L. R.* 9 Eq., 44, Lord ROMILLY, M. R. says:

"Great stress was laid on the lapse of time; but I think nothing of that, because all the persons interested are in the same state now as they were then. If there had been any dealing which had altered the state of matters that might have raised a question; but there is nothing of the sort."

In *Nudd* v. *Powers*, 136 Mass., 273, upon a bill to subject the property of decedent to a charge created by will, Mr. Justice HOLMES says:

"The defence was put wholly on the ground of laches, * * * The delay of the plaintiff in not proceeding, is not a sufficient reason for rejecting the bills. It does not appear that the defendants have made any change in their position on the faith of te plaintiff's quiescence, or, if they have, that they have any right to attribute it to that cause."

Mere delay is not sufficient of itself to deprive appellant of its right in equity.

Menendez v. *Holt*, 128 U. S., 514.

Fullwood v. *Fullwood*, L. R. 9 Ch. D., 176.

Acquiescence must be such as creates a new right in the defendant.

Rogers v. *Rogers*, 3 De. Gex. M. & G., 614.

In *Prevost* v. *Gratz*, 6 Wheat., 481, Mr. Justice STORY said: "It is certainly true that length of time is no bar to a trust clearly established; and in a case where fraud is imputed and proved, length of time ought not, on principles of eternal justice, to be admitted to repel relief. On the contrary, it would seem that the length of time during which the fraud had been successfully concealed and practiced is rather an aggrevation of the offense and calls more loudly upon a court of equity to grant ample and decisive relief."

Where the evidence was preserved and there was no change in the situation of the parties, a bill for accounting was maintained after twenty years, in *Aylett* v. *King*, 11 Leigh, 486. Where an executor of a deceased executor settled an account in 1818. The legatees of the testator filed a bill in 1834 to re-settle the account of the first executor's administration.

The court says: "It is contended that the demand of the appellees is one of those stale claims not entitled to the countenance of a court of equity; and there is some force in the objection. The appellees have slept upon their rights for a long period after the disability of infancy was removed, and no excuse has been offered for this unreasonable delay. Prior to the act of 1826, no certain and definite period was limited for going into such an account; but in the exercise of a sound discretion arising on the circumstances of each case, the courts have refused to decree an account where the transactions have become obscure and involved; or where the representatives would be subjected to insuperable difficulties or great inconveniences in hunting up testimony; or where, from the loss of vouchers, or death of witnesses, any injury was likely to result; or where, from the relation of parties to each other, a presumption of satisfaction fairly arises upon the whole case. But it seems to me, none of these obstacles to a fair adjustment of the account present themselves in this case. * * *

"No loss of vouchers or testimony is averred, no difficulties are suggested in the way of a fair settlement, and the account was settled with so much facility that no exception has been taken to it. Under such circumstances, it seems to me that it would be going much farther than the courts have yet done, to hold that the mere lapse of time in this case should operate as a bar."

In *Michoud* v. *Girod*, 4 How., 503, This court permitted an accounting after twenty years.

To cite additional cases would simply be to repeat the doctrine frequently announced in this Court. But the Court will pardon us in referring to one more case where the doctrine of laches is clearly stated.

In *Archibold* v. *Scully*, 9 H. L., Cas. Lord CHELMSFORD, at page 388, says:

"Has any laches or acquiescence then been established to disentitle appellant to the relief which he prays? Acquiescence in the sense of mere passive assent cannot be regarded as anything more than laches or delay, as Lord Cramworth said in *Rochedale Co.* v. *King*, (2 Sim. N. S. 89), 'Mere acquiescence (if by acquiescence is to be understood only abstaining from legal proceedings) is unimportant where one party invades the rights of another that other does not in general deprive himself of the right of seeking redress merely, because he remains passive, unless indeed he continues inactive so long as to bring the case within the purview of the Statute of Limitations.' If the appellant had abstained from the assertion of his rights for the long period during which he took no steps to prosecute his claim, and in the intervening time the other parties had altered their condition, his case would have been different. He

would then have placed himself in a position in which it would have been unconscientous for him to enforce his rights, and in such circumstances the Court under the well known head of Equity might properly have refused its interference on his behalf.

"In this case however there has been no substantial alteration in the condition of the respondent, and there is nothing in the conduct of appellant beyond his having suffered so many years to elapse after the right accrued before its assertion. This in my opinion is not sufficient, to disentitle him to the assistance of a Court of equity, to obtain the relief which he seeks."

Ubi eadem ratio ibi idem jus.

Applying the doctrine, as summed up by Mr. Justice BROWN, in *Galliher* v. *Cadwell*, to the case at bar, we find "No change in the condition or relations of the property or persons." We have shown that the facts did not fully become known to appellant until taking the testimony; after the filing of the bill.

The same relation of property and persons existed at the time of filing the bill as at the time the release was executed. In the nature of things there could be no change in their situation.

Appellee still retains the money which was collected by it as "bonuses" against the protest of appellant, knowing that in so doing it was not complying with the terms of the contract of August 7, 1879. It still retains money and patents received by it as payment for back damages upon appellant's patents. It kept and still has the written applications showing the amount of barb wire made by each licensee prior to the date of such license. It kept and still has its books showing the receipts of all money paid to it for bonuses and such back damages. It has offered abstracts of many of these books and papers in evidence. No claim is made that appellee paid out one dollar of this money, or entered into any obligation, or did any act by reason of appellant signing this release. There is not a scintilla of evidence that it did so do or act.

The parties who committed the fraud upon appellant testified in court.

Independent of the recollection of witnesses, the facts relied upon are almost entirely in writing and preserved in the record.

There is no speculation in values as in *Twin Lick Oil Co.* v. *Marbury* (91 U. S., 587), or *Johnson* v. *Standard Mining Co.* (148 U. S. 360). The accounting prayed for is for moneys actually re-

ceived by appellee capable of being easily ascertained upon a full examination of appellee's papers and books.

"The lapse of time has not carried with it the life and memory of witnesses, the monuments of evidence and other means of proof," as was the case in *Brown* v. *County of Buena Vista*, 95 U. S., 157.

The case at bar does not "Rest upon conjecture" nor "has the seal of death closed the lips." "Nor has lapse of time impaired the recollection of transactions and obscured their details." There are no "Ravages of the scythe (which) the hour-glass should supply." (*Hammond* v. *Hopkins*, 143 U. S. 224.)

Nor can it be said, that the delay was unreasonable. The money claimed by appellant was due under its coutract which expired February 12, 1885. The suit was instituted April 22, 1887.

From the statements furnished by appellee (R. 377—411) it appears that it collected $47,446. bonus, and $15,692. back damages, between July 27, 1881, and February 12, 1885. There was no intention to change the terms of appellant's contract by the release of July 27, 1881, and such release did not effect such contract.

The fact that appellee was collecting this money was never communicated to or learned by appellant until after the institution of this suit. (R. 159.) Will this Court permit appellee to set up such a defense, caused by its own deliberate concealment, and thus permit appellee to take advantage of its own wrong, to defeat its covenants? We think it will not.

Appellee is effectually estopped, however, from raising either the question of Limitations or Laches in this case. It has filed a cross-bill herein, and is seeking relief under such cross-bill upon matters which arose at the same time said release was executed, namely; the contract between appellant and appellee relating to the release of appellant's royalties upon Haish's sales of barb wire mentioned in said release, and in another instrument bearing the same date and executed at the same time, all being a part of one and the same transaction. (*Infra in re* Haish purchase.)

This court will not permit appellee, having taken evidence of matters *dehors* this instrument, and occurring at the same time and as part of the same transaction as such release, to use such evidence to defeat appellant's rights, and then use such evidence for the purpose

of obtaining a recovery against appellant under its cross-bill of $29,000., without permitting appellant to use the same evidence.

Appellee must either admit appellant's claim is not stale, or admit that its own claim, under the cross-bill, is stale. To admit that its own claim is stale would be to defeat its cross-bill.

It would be unconscionable to permit appellee to maintain its cross-bill upon such testimony, and to deprive appellant of the benefit of the facts relating to the same transaction. This the court will not do.

Plea of Release.

The effect to be given to a release between parties standing in fiduciary relation, as at bar, has frequently arisen upon pleas setting up a release to a bill for an accounting.

A plea in chancery is, in fact, but a special answer to the bill.

Story's Equity Pleading, § 649.

In the language of Lord Redesdale in *Roche* v. *Morgell*, 2. Sch. & Lefr., 725, a plea "is but a special answer to a bill, differing in its form from an answer, from the common form, as it demanded judgment from the court; in the first instance, whether the subject matter urged by it did not debar the plaintiff from his title to that answer which the bill required."

Where such a release is pleaded, it must be coupled with an answer upon the ground that "The consideration of the instrument was general settlement of accounts, and if those accounts were liable the imputations cast upon them by the bill, the release was not a fair transaction, and ought not to preclude the court from decreeing a new account."

Story's Equity Pleading, § 797.
Rule 32. Equity Rules U. S. Courts.
Salkeld v. *Science*, 2 Ves. 107.
Parker v. *Alcock*, 1 Y. & Jer., 432.

The reason for filing such answer and full statement is that the Court may ascertain from an inspection of the account whether the consideration was fair and reasonable. If upon an inspection the court finds such consideration unfair or not reasonable, then it will order an accounting notwithstanding such release, and treat the money paid as so much paid on the amount due.

Says Lord REDESDALE in *Roche* v. *Morgell*, (bill filed for an accounting between a principal and agent, wherein the defendant pleaded a release,) at p. 727,

"The release was founded on the general settlement of accounts, which was the consideration of the instrument, apparent on the face of it, and was a part of the very transaction, and an essential part being the consideration on which the deed was founded. If the accounts were fairly adjusted, the release was fair, and was a bar to the relief sought by the bill to the time of the settled account. Thus the release was to preclude the court from decreeing that the parties should come to a new account upon some subject; but if the accounts were not fair, if they were liable to all the imputations cast on them by the bill, then the release was not a fair transaction, and ought not to preclude the court from decreeing a new account.
* * *

"Every release must be founded on some consideration, otherwise fraud must be presumed; that consideration must be either *a valuable consideration then given, or the adjustment pending accounts*. In the latter case *the fairness of the accounts* is the essence of the consideration. If they are not fair, the consideration is not fair, and the instrument founded on such a consideration is in itself void, and, therefore, operates nothing. * * *

"The consideration must be set out; its fairness must be averred by plea, and if the bill charges matter tending to impeach the consideration the defendant must by answer support the averments in the plea. * * *

Roche v. *Morgell*, was approved by Lord ROMILLY in *Brooks* v. *Sullivan*, L. R. 5 Eq. Cas. 364. He there says: "*I am satisfied that in every case the person who contests the release is entitled to have the discovery of the accounts on which the release is based.*"

In *Bolton* v. *Gardner*, 3 Paige 273, where a release was obtained from an heir upon the payment of $1,000. being about one-fifth of the amount actually due, and a plea of release was filed, the court refused to allow such plea to stand without a full disclosure of all material circumstances relied upon to show the equitableness of such settlement and WALWORTH Chancelor said:

"Independent of these objections to the plea in point of form, I think the complainant was entitled to a full discovery as to the actual amount of the personal estate of McLachlan. We have before seen that the party pleading a release which the complainant seeks to impeach upon equitable circumstances must, in his answer supporting the plea, make a full discovery as to every material circumstance relied on to avoid the bar. One equitable circumstance relied upon here is, that Bolton understood from Miller that his share of

Calkins was appellant's first witness (excepting C. G. Washburn, Secretary of appellee). The entire testimony was substantially taken after appellee offered this release in evidence.

After all the testimony had been substantially taken appellant, by stipulation of counsel, was permitted on June 19, 1889, to withdraw its replication to appellee's answer and file an amendment to its bill of complaint *instanter*. The amendment consisted solely of allegations relating to this release. (R. 31).

Appellee offered this release in evidence, cross-examined appellant's witnesses, took the testimony of witnesses on its behalf, and went into every defense that it had by reason of this release, as fully and to the same extent as if the said release together with the allegations relating thereto had been fully set out in the original bill of complaint.

Much the greater part of the testimony in record relates to facts and circumstances arising out of this release. And much more than the greater part of the testimony was taken in this case after this release was offered in evidence by appellee, and before the said amendments were made to the pleadings.

Not only was a full defense made in reference to this release, but appellee took all of its evidence relating to matters involved in its cross-bill, which was not pertinent to the original pleadings, before this amendment to the bill or its amended answer were filed.

When this amendment was filed, appellee stipulated that it would file an answer within three days, and appellee did on June 21, 1889, file an amended answer to the amended bill, and set out in the amended answer facts already in evidence, upon which it bases its cross-bill, and on the same day filed its cross-bill in this case.

Appellee took no evidence after the filing of this amendment relating in any manner to the execution of or circumstances attending the execution of this release. Such testimony had all been previously taken.*

---

*The testimony taken after the filing of this answer by appellee was that of Coburn, Dillon, Baker and Powers. (R. 696—713.) The only testimony taken by appellant was that of John W. and Gary G. Calkins, which was in rebuttal. (R. 170.—317.) And J. W. Raymond. (R. 324.)

The evidence then being, substantially, in, both parties amended their pleadings to conform to the evidence taken. Having taken the evidence upon the theory that this release was a legitimate subject of inquiry under the original bill, and having proceeded to trial after this amendment was filed, without taking any additional evidence relating thereto, it is now too late to raise the point, even if material, (which we insist it is not), that appellant should have set out when the facts and circumstances, under which it seeks to set aside the release, first became known to it.

Wasatch Mining Co. v. *Crescent Mining Co.*, 148 U. S., 293.

If such point had been made, the bill could have been properly amended, if such amendment had been necessary.

Says Mr. Justice BREWER in *Brown* v. *Lake Superior Iron Co.*, 134 U. S., 534.

"The maxim 'he who seeks equity must do equity,' is as appropriate to the conduct of the defendant as to that of the complainant and it would be strange if a debtor * * * could ignore its long acquiescence and plead an unsubstantial technicality to overthrow protracted, extensive and costly proceedings carried on in reliance upon its consent."

The release, then, being in the record and offered in evidence by appellee under the original bill, the case at bar comes within the principle of *Kelsey* v. *Hobby*, 16 Pet. 269, which was a bill filed for settlement of partnership accounts.

A release was offered in evidence by the defendant (as here) though no reference was made to the release in the pleadings. In answer to the objection made to this Court, considering the release, Mr. *Chief Justice* TANEY says:

"It is a sufficient answer to this objection to say that it was admitted in evidence without exception, and both parties treated it as properly in the cause; and the complainant proceeded to take testimony to show that it was obtained from him by duress, and the defendants to show that it was freely and voluntarily given. It had the same effect that it would have had upon a cross-bill or supplemental answer, and the complainant had the same opportunity of impeaching it. And there is no propriety in requiring technical and formal proceedings, when they tend to embarass and delay the administration of justice; unless they are required by some fixed principle of equity, law or practice, which the court would not be at liberty to disregard."

*"The release and account being therefore regularly before the Court, we proceed to inquire into their legal effect, and the degree of weight to which they are entitled."**

(2). Counsel say the release of July 27th was made under the advice of appellant's counsel, after a full investigation of the facts. We have already shown that appellant was not fully informed of the status of the account, but that on the contrary appellee refused to furnish any statement of the account, upon application for such information made to Washburn in person when in Chicago; and repeated requests by the letters between 1st of March and the execution of said release. Instead of $80,000. being due appellant, which was the highest sum of money that Stiles, Calkins or their counsel, Mr. Trumbull could "estimate" to be due appellant or back damages upon the basis of 25c. royalty, it now appears even from the partial statement of account furnished in evidence by appellee, that there was then due appellant from appellee for such back damages upwards of $180,000.

The case at bar presents stronger equities than *Kelsey* v. *Hobby*. The release in that case was made between the parties after mature deliberation, and under the advice of counsel. There was an error in that case of of only $20,000. In the case at bar there is an error of over $170,000. Notwithstanding the release in that case recited that the parties "have come together and examined the subject matters in dispute, and they find the within account correct," and "admitted it to be correct and every entry in it," yet Mr. Chief Justice TANEY, says, "The effect of a release, executed in consideration of the settlements of accounts between parties is clearly stated in *Story's* Equity Proceedings (p. 529, § 685.) If the account is impeached, the release will not prevent the Court from looking into the settlement; and *the release in such a case is entitled to no greater force in a Court of equity than the settlement of the account upon which it was given.*"

Although so stipulated, in fact, no books, papers or vouchers were produced at the time the settlement in *Kelsey* v. *Hobby;* the parties had not made an examination of or gone over the accounts, and the Court in that case made an examination of the entire record, and held that such settlement was unfair and the amount paid unreasonable, and declared such release to be of no effect in equity, *notwithstanding the fact that such release had been made after mature deliberation and under advice of counsel.*

---

* *Kelsey* v. *Hobby* was recently cited and approved (but on another point) in *Coburn* v. *Cedar Valley Land & Cattle Co.*, 138 U. S. 196.

How much stronger does the case at bar appear, when appellee not only continuously and repeatedly refused to furnish a statement of the account after demand, but deliberately concealed the true amount and fraudulently misrepresented material facts which were necessary for appellant to know, when determining whether or not to make such alleged settlement.

Does not the case at bar present itself as strongly to the consideration of the Court as *Wheeler* v. *Smith*, 9 How., 55., a bill filed to set aside a deed given by a *cestui que trust* to trustees under a will. The trustees insisting that the will was valid, compromised the claims of the *cestui que trust* by paying $25,000.

Mr. Justice McLean there says (p. 82), "In making the compromise, the parties did not stand on equal ground. The necessities and character of the complainant were well known to the executors. Having the confidence expressed in the validity of the devise, they could hardly have felt themselves authorized to pay to the complainant $25,000. for the relinquishment of a pretended right."

If appellee was acting in good faith and with full confidence of the security of the opinion of Dodge, it would hardly have paid appellant $10,000. as a mere *gratuity*.

(3). But counsel say the parties settled "at arms length." As stated in *Wheeler* v. *Smith*, "the parties did not stand on equal ground." They were not strangers. Appellant relied wholly and absolutely upon information derived from appellee as to the amount of money collected.

Utmost good faith (*uberima fides*), fair dealing; full information towards his principal are the well established duties of an agent, or of a trustee to his *cestui que trust*. It is only when these duties are performed (and the burden to show that they are performed is on appellee) can it be said that the parties deal at arms length. The authorities heretofore cited (see also "Fiduciary" Anderson's Law Dictionary) show that fiduciary relation applies to every situation where, in course of dealing, one person entrusting his entire interest in another, reposes confidence in the integrity of that other.

A Trustee "can not himself contract at arms length, and permit the other to act as though the relation was one of trust and confidence."

Perry on Trusts, § 179.

In *Diller* v. *Brubaker*, 52 Penn. St., 505, the Court says:

"A trustee is bound to put his *cestui que trust* in possession of the full and true state of his affairs, before any form of settlement will bind. It is the policy of the law to discountenance all but open and satisfactory dealing between parties standing in the attitude to each other of trustee and *cestui que trust. They do not deal at arms' length as strangers.*"

In *Krohn* v. *Williamson*, 62 F. R., 869, where a release was made between the parties, standing in a fiduciary relation, the court held. that there was no laches on the part of the complainant in not inquiring elsewhere, when it was the duty of the defendants to fully disclose the fact, and where a release was made without full disclosure of all the facts, and say:

"We can be very certain that if Krohn had known the full truth (which it was Nelson's duty to tell him), Krohn would never have made the settlement. It was quite true that Krohn suspected that he was not being fairly dealt with, and that he therefore insisted that he should be paid an additional amount in cash over and above that. which under Nelson's statement of the facts, he was entitled to, but I do not see that Krohn's suspicions of Nelson's fair dealing upon the settlement, based on that, at all relieved Nelson of the duty to disclose everything. *It did not put the parties at arms' length;* the trust relation continued in existence so long as the proceeds of the transaction, in which it had its inception, remained undisturbed."

In *Rude* v. *Westcott*, as we have seen, where an assignee of letters patent, in consideration of their transfer, covenanted to pay ¼ of the net receipts derived from the use of the patent to the assignor, this court held that the assignee was a trustee for the assignor for ¼ of such profits.

Here it is provided "the consideration received by (appellant) for the patents aforesaid, is to be the payment to them of the percentage upon sales as hereinbefore specified."

In the *Rude* case the consideration was ¼ of the net receipts; in the case at bar, the consideration was a certain rate per pound upon each pound manufactured and sold. Appellee was a trustee for appellant for all royalty it collected and agreed to be paid to appellant under such contract. They were not dealing with each other at arms length. Appellee relied in its dealing with appellee entirely and solely upon the knowledge it derived from appellee. Appellant did not deal with any licensee. It granted no licenses. It collected no royalty from any licensee; it made no terms as to the payment of royalty with any

licensee. It received no statement of account of the wire manufactured and sold from any licensee; it never applied to any licensee for information. It relied upon appellee's good faith in manufacturing barb wire under the contract and supplying the demand for "the article" known as barb wire; in keeping "separate and accurate accounts of the entire product manufactured and sold"; in rendering a monthly "statement in writing" of the amount so manufactured and sold, or "for which it received pay in any form"; in collecting royalties and transmitting them to appellant when due under its contract; in prosecuting infringers; in granting licenses upon the terms of its contract with appellant; and in the exercise of good faith, fair dealing and full information in every act connected with appellee's numerous dealings with appellant and the licensees of appellee.

It is almost impossible to conceive a situation where one could more implicitly rely upon another than appellant relied upon appellee, in the case at bar.

It had the right, could and did implicitly so rely upon appellee, as its only and proper source of information, and it could and did presume that appellee was performing and would perform its covenants.

Kilbourn v. *Sunderland* 130, U. S. 505.

(4.) Appellee's counsel will invoke the doctrine that where an account is rendered and not objected to within a reasonable time, such account is admitted to be correct, and acquires the force of an account stated.

The reason upon which such doctrine is based, is that information had been given to the debtor,or the debtor was in such a position as to be aware of the entire information, upon which such account was stated, and even then the account stated is only prima facie. As stated in *Talcott* v. *Chew*, 27, F. R. 273, "He may prove fraud, omission, and mistake, and in these respects he is in no wise concluded by the admissions implied from his silence after it was rendered. *Wiggins* v. *Berkham*, 10 Wal. 132. *Perkins* v. *Hart*, 11 Wheat., 256."

See also:

Hager v. *Thomson*, 1 Black, 80.
Oil Co. v. *Van Etten*, 107 U. S., 325.
Bank v. *Morgan*, 117 U. S., 96.

(5.) Appellee's counsel will also contend, that because the statement of the amount of royalty due was transmitted monthly by appellant to appellee, and no particular objection made thereto, such statements are binding on appellant, upon the principle, as stated in *Bank* v. *Morgan*, 117 U. S., 96, (and other cases) where a bank book has been balanced and the vouchers returned with the book to the depositor, that unless objection is made within a reasonable time they are considered settled.

The relation, however, between the Bank and depositor is simply that of debtor and creditor.

Phoenix Bank v. *Risley*, 111 U. S., 125.
Wetherell v. *O'Brien*, 140 Ill., 146.

In these cases there is no fiduciary relation as in the case at bar.

The reason of the rule that such depositor is bound to examine his book within a reasonable time, is that he has before him the vouchers and the opportunity of verifying all the items of debit and credit.

That is not the case at bar, where statement of the account of back damages was never rendered, and where the rights of the parties are determined by existing contracts, where a fiduciary relation exists, and where the only information which appellant has is such imperfect information afforded it by appellee, and with no power on the part of appellant to verify any one item.

The receipts given by appellant all recite they are "as per statement enclosed" (R. 485). They do not purport to cover back damages.

Cessante ratione, legis cessat ipsa lex.

(6.) Appellee's counsel will doubtless urge, because appellant gave appellee its note for the full amount of money due for plain wire purchased by appellant from appellee at the time of the release of July 27, 1881, that thereby the law presumes all matters in controversy between the parties fully settled.

There never was any controversy over the open account for plain wire so purchased. Appellant purchased this wire, upon the understanding that it would give appellee its note for the monthly balances rendered from time to time.

Appellant refused to give its note to appellee in July for the previous monthly balance, solely because it had learned from hearsay, not from appellee, that appellee had collected a greater amount of money due it for past infringements upon the patents than was due appellee for the plain wire.

When the release of July 27th was executed, appellant, having obtained no information as to the state of the account between the parties as to back damages gave its note for the balance of the account due for plain wire.

The law presumes that all matters connected with the purchase of plain wire was then settled. It was, in fact, then settled; appellant paid the bill in full and no question has since arisen by reason of the purchase of such plain wire; and appellant continued to pay such monthly balances so long as it bought wire of appellee.

But there is no evidence in the record, and appellee does not claim that it imparted any information to appellant as to the amount of bonus and back damage money, either at the time said release was executed or at any time since then and prior to the taking of testimony on hearing below.

(7.) Appellee's counsel will urge upon the Court the tendency of courts to uphold compromises. But, as stated by Mr. Justice CLIFFORD it is only "Where there is no unfairness, *and all the facts* are equally known to both sides (that) an adjustment by them is final and conclusive." *Hager* v. *Thomson*, 1 Black, 80.

If appellee had performed its duty in that behalf, as frequently requested by appellant, to furnish it with full information as to the amount of bonus and back damages, then the Court might look upon the settlement with some degree of favor.

(8.) Appellee's counsel say before appellant can recover anything on account of back damages, it must show that it has sustained some damage; that appellant has not so shown, and therefore, there is nothing in this record to fix the amount of such damages.

Appellee fixed the rate or amount of damage for infringements upon the patents transferred to it, namely: the rate of royalty agreed under the contract to be paid appellant, whether such damage be for

the infringement of one or all the patents assigned by appellant to appellee.

Where parties have established a fixed rate of royalty, such rate of royalty will be taken as a measure of damages agaist infringers.

Seymour v. *McCormick*, 16 How., 480.
Corporation of New York v. *Ranson*, 28 How., 487.
Packet Co. v. *Sickles*, 19 Wall., 611.
Birdsall v. *Coolidge*, 93 U. S., 64.
Root v. *Railway*, 105 U. S., 197.
Rude v. *Westcott*, 130 U. S., 152.
Cornely v. *Marckwald*, 131 U. S., 159.

The contract rate governs in the case at bar.

Decrees, as a matter of fact were entered in seven cases in the Circuit below (*Supra.* 97.); the amount due under such decrees was settled by appellee by payment to it by the defendants in those suits of the agreed rate of royalty.

Appellee was paid 60c. for each 100 lbs. as damages for prior infringments from each person with whom it settled, whether settlement was made under judgment or without suit. Included in this amount, Washburn admits, appellee collected the amount due appellant for its benefit. It was simply a question of computation to ascertain the damages.

The court will not refuse to grant relief on this ground alone even if the point made were good.

The law is well settled that the Court having acquired jurisdiction on the other matters in the bill will retain jurisdiction and grant any relief, for which the basis is laid in the bill.

I. Daniels Ch. Pr., 378.
Story's Eq. Pl., § 41–42.
English v. *Foxall*, 2 Pet., 612.
Watts v. *Waddelle*, 6 Pet., 389.
Waden v. *Bodley*, 14 Pet., 156.
Taloe v. *Ins. Co.*, 9 How., 405.
Root v. *Railroad Co.*, 105 U. S., 189.

Under no view should this Release of July 27th be permitted to stand.

No detailed statement of account was furnished appellant; no vouchers were furnished; no reference to the items of the account were made in the release. Indeed, no one act was done by appellee in procuring this release which good faith demanded of it, or which should have been done by an agent seeking a settlement with its principal.

To hold this release valid, would, in effect, deprive appellant of valuable property rights for more than one-half of the term of its contract, for merely a nominal consideration.

The FOURTH *and* FIFTH ERRORS *are discussed in connection with the* SEVENTH ERROR.

SIXTH ERROR.

The Circuit Judges of the Eighth Circuit refused to follow the decision of Judges Drummond and Blodgett as to the Kelly and Glidden reissued patents, and on the fourth of June, 1883, rendered a decision holding them invalid. (R. 779.)

The Seventh Circuit holding these patents to be valid, and the Eighth Circuit holding them invalid, rendered the situation of the parties uncertain. For the purpose of settling all controversies occasioned by reason of these conflicting decisions, a *third* supplemental contract was entered into between appellant and appellee, bearing date June 12, 1883. (R. 11.) This decision was the immediate cause of this supplemental agreement.

Washburn testifies; "When the new agreement between our company and the Thorn Wire Hedge Co. of June 12, 1883, was made, the officers of the Thorn Wire Hedge Co. knew of those decisions *and the agreement was made in view of them.*" (R. 488.)

Stiles testifies; "The occasion of the agreement of June 12, 1883, was on account of some decisions that had been rendered unfavorable to the Washburn & Moen Manufacturing Co." (R. 242.)

Calkins testifies; "The contract of June 12, 1883 between the Washburn & Moen Mfg. Co. and the Thorn Wire Hedge Co. was mainly caused by reason of an adverse decision of one or more patents at St. Louis, and this reduction of royalty was to settle all questions that might arise of whatever nature so that we might be assured of the 5c. per 100 lbs." (R. 143.) "For the purpose of settling controversies which had arisen by reason of the decision of Judge Treat on the * * *. Kelly patent." (R. 86.)

C. G. Washburn's testimony is to the same effect. (R. 351–353.)

Section 5 of the contract of July 3, 1876, provides if appellee shall cease to manufacture barb fence wire thereunder for the period of 90 days, such contract shall thereupon become terminated.

The contract of June 12, 1883, recites; That by the "original agreement and subsequent amendments thereto, it is left contingent, or at the option of (appellee) to discontinue the payment of royalties to (appellant)." (R. 11.)

Appellee thereupon exercised its election as to this option, executed this supplemental contract, and thereafter continued to manufacture, and license to be manufactured, barb wire under the Kelly

patents, during the remainder of the term of its contract with appellant.

Under this supplemental contract, appellee covenants to pay appellant 5c. per 100 lbs. royalty on all barb wire which should be manufactured and sold by appellee, I. L. Ellwood & Co., and their licensees, between the dates commencing *on June 1, 1883* and continuing to February 12, 1885; and to "pay said reduced royalty of 5c. per 100 pounds to (appellant), its successors or assigns, on the barb wire made and sold by itself, I. L. Ellwood & Co., or its licensees, at the time, in the manner, and on the same terms and conditions as payments are now required to be made, by provisions of the agreement now existing between the parties hereto." (R. 13.)

Appellee paid appellant royalty on its own product and the product of I. L. Ellwood & Co. for the month of May, 1883, at the rate of 15c. per 100 pounds. Appellee has not paid appellant royalty on wire sold by its licensees during the month of May, at the rate of 15c. per 100 pounds but at the rate only of 5c. per 100 lbs. (R. 634.) There is no exception made in this contract as to the royalty upon the product of the licensees for May, 1881.

The reduction of royalty to 5c., commenced by the terms of this contract "*on* and after June 1st, 1883," not "on and after May 1st." It did not effect the May royalty in any manner. The reduction of royalty was to be on the product both of appellee (and I. L. Ellwood & Co.) *and* their licensees from *on* and after June 1st.

Appellee admitted that this was the construction, and did remit royalty at the rate of 15c. on the product of itself and I. L. Ellwood & Co. for the month of May. (R. 1169.)

Appellee has furnished in evidence a statement of all royalty paid by it to appellant on wire sold by its licensees during the month of May, 1883. (R. 634.) This statement shows that appellee's licensees sold 13,476,780 pounds of wire during the month of May, on which it received royalty, but on which it paid appellant royalty of only 5c. There is due appellant, under its contract, in addition to the royalty of 5c. already paid it by appellee, for royalty upon the product of its licensees sold in May, 1883, the further royalty of 10c. per 100 lbs., or the sum of $13,476.78.

The receipt for the payment of this royalty and the remittance of 5c. royalty upon this wire was evidently an oversight.

The royalty upon the sales of the licensees was payable quarterly. Appellee's royalty was payable monthly.

Appellee paid appellant for royalty upon its (and I. L. Ellwood & Co.) royalty on June 30, 1883. The statement (Exhibit "A. 17," R. 634) shows that royalties upon sales of the various licensees was not paid at one time. These payments were made at various dates from August 15, 1883 to as late as July 31, 1886. The royalty for the succeeding months being payable at 5c. in rendering these accounts. appellee remitted the royalty for May with the royalty for the other months, and thus escaped the notice of appellant.

No claim is made by appellee that it is under any construction of the contract entitled to a reduction of royalty to 5c. for the month of May, 1883.

No harm can come to appellee in being compelled to pay this royalty, as appellee received from the licensees royalty at the rate of 30c. upon their product for the month of May, 1883.

The terms of the supplemental contract of June 12, 1883, are clear and specific. It is not ambiguous. It does not include the royalty of appellee's licensees for May, 1883, within its provisions. Appellant did not therein purport to release and has not since, in fact, released appellee from the terms of its contract as to royalty for the month of May, 1883. Appellant has done no act upon which appellee could rely as a release of this royalty.

Appellee collected from its licensees, and unjustly retains this additional royalty. It is in duty bound to pay appellant such royalty under the terms of its contract. There is no good reason why appellee should have or retain and not pay appellant this additional 10c. royalty. Appellant is entitled to royalty of 15c. for May, 1883. Appellant has not exacted from appellee more than 5c. royalty from and after June 1, 1883. Appellant has fully kept its covenant. Appellee should also keep its covenant, and pay appellant this $13,476.78. additional royalty, according to its contract.

Fourth, Fifth and Seventh Errors.

These Errors depend so greatly upon the same facts, that we shall also discuss them together.

It will be necessary to understand (I) the purchase of the *Haish* patent properties and (II) the settlements made by appellee with numerous of its licensees, in which settlements, such Haish purchase entered as one of the elements.

I.

Purchase of the Haish Patent Properties.

Appellee gives as one reason for not paying much royalty that it was prevented from collecting such royalty by reason of its purchase of certain patent properties from Jacob Haish, and that the effect of such purchase was to prevent it from collecting royalty from its licensees.

On July 26, 1881, appellee *and Ellwood* purchased of Jacob Haish certain patent properties relating to barb wire and barb wire machinery. (R. 379.) Haish then took a license from appellee and Ellwood, authorizing him to manufacture 10,000 tons of barb wire per annum. (R. 359.)

Upon Haish assigning such patent properties to appellee *and* Ellwood, appellee entered into an agreement with him for their payment, appellee covenanting as follows:

"Washburn & Moen Manufacturing Company, for itself and its successors, does covenant and agree to and with said Jacob Haish, his executors, and administrators, that it will manufacture, or cause to be manufactured by itself or licensees, the quantity of eight thousand tons of barbed wire in each and every year during the continuance of its obligations under this agreement; the first year commencing on the day and date hereof, and that it will pay to the said Jacob Haish, his executors or administrators, until the 27th of February, A. D. 1894, the sum of seventy-five cents for every one hundred pounds of barbed-fence wire manufactured by it or its licensees, upon a quantity not exceeding four thousand tons in any one year; and a further sum of twenty-five cents for every one hundred pounds of barbed fence-wire manufactured by it or its licensees, beyond the first mentioned quantity of four thousand tons, but not exceeding the further quantity of four thousand tons in the same year." (R. 367.)

Appellant, thereupon at the request of appellee, executed a paper releasing appellant's claim to certain royalties on Haish's own manufacture, as follows:

"In consideration of the sum of one dollar and other valuable considerations to it paid, The Thorn Wire Hedge Company, a corporation duly organized under the laws of the State of Illinois, and located at the city of Chicago, in said state, does authorize the Washburn and Moen Manufacturing Company and Isaac L. Ellwood to make settlement with Jacob Haish, of DeKalb, Illinois, for his past infringments of the letters patent for barbed fence-wire and machinery for making the same, owned by the Washburn and Moen Manufacturing Company, or by said company and Isaac L. Ellwood, and to grant to the said Haish a license to manufacture and sell annually ten thousand tons of barbed fence-wire under said patents, as provided in a proposed agreement between the Washburn and Moen Manufacturing Company and the said Jacob Haish, and assented to by Isaac L. Ellwood (copies of which proposed agreement and license being hereto attached), and does release the said Washburn and Moen Manufacturing Company from all obligation under its agreements with the said Thorn Wire Hedge Company, dated respectively July 3d, 1876, December 2d, 1878, and August 7th, 1879, *to account for any proportion of the moneys received from the said Jacob Haish* whether in settlement of past infringments or for royalties hereafter paid under the said license, which may be required to be expended or remitted in the settlement with said Jacob Haish, or in payment of the consideration money for the transfer and conveyance of all the patents, rights to letters patent and inventions, which are or shall be conveyed by the said Haish to the said Washburn and Moen Manufacturing Company and Isaac L. Ellwood, as provided in said proposed agreement." (R. 215.)

Appellee sets up in defense, that by this paper appellant released it from the payment of all royalties it failed to collect from its licensees, which it says was not collected by reason of its purchase of the Haish patents.

Appellant, on the contrary, contends that such paper released solely and only the royalty accruing to it on Haish's own manufacture, and was not intended to, nor did it, affect the royalty upon wire manufactured and sold by any other licensee; nor did it release appellee from its covenant to "use due diligence and lawful means" to collect such royalties.

Three questions present themselves for consideration, in determining the effect of this release and appellee's purchase of these patents (1), the value of the Haish patent properties; (2), the

object of appellee in purchasing such patent properties; and (3), had appellant the right to rely upon appellee's representations when making such release?

I

The value of the Haish patent properties.

(*a*), Washburn testifies that he considered the value of the Haish patent properties at the time appellee made such purchase to be of the value of at least $2,000,000, (R. 478) and "one half of that value to be in machine patents so obtained through Haish." (R. 478.)

Ellwood testifies: "I did at that time estimate Haish's patent properties *to be of great value* * * * I didn't think we were paying an exorbitant price. *I thought we made a good deal.*" (R. 692.)

Coburn was always of the opinion, from the very commencement, that these patents were of great value and says: "I always esteemed one of Haish's barb wire patents *of great value.* Until the Supreme Court made adverse decisions in reference to re-issued patents, I always considered one of Stevens' machine patents, which Haish claimed to own, to be *of great value*," and he considered the Haish barb wire patent was materially enhanced in value from the fact that Judges Blodgett and Drummond sustained appellee's re-issued patents. (R. 700.) "When the settlement was made with Jacob Haish, in July 1881, I was of the opinion, that the Haish "S" barb patent and the Stevens' machine patent, were of very considerable value. * * * I advised the Washburn & Moen Manufacturing Co. to purchase the Haish patents, *because of the intrinsic value of the patents.*" (R. 704.)

In appellee's answer, filed in the Chicago Gal. Wire Fence Co's case, it says: "That all of said (Haish) patents were of great value and utility, and covered devices and inventions in barb fence wire, known and recognized among manufacturers of barb wire *to be of great value*, and utility." (R. 736.)

In its answer filed in the Ohio Steel Barb Fence Co. case November 17, 1884, appellee and Ellwood answer, "That said Haish owned patents of great value, and *that the amount agreed to be paid him, therefor was just and reasonable.*" (R. 711.)

(*b*), Under the arrangment of purchase then made Haish was licensed to manufacture 10,000 tons in each year. Washburn testified, in 1882, in the Galvanized Wire Fence suit "We expect now (Haish) will make it, his full tonnage in which case we should get

the Haish patents, every single one of them, *as valuable as they are*, and not only not pay him anything for them, but we should get $70,000. in cash, each year, over and above everything," (R. 389.)

Appellee expected, when it bought these patent properties, that after paying the royalties agreed to be paid Haish, it would receive a net income of $70,000 a year upon Haish's manufacture, for the remaining eleven years of his license, or $770,000. These payments for seven years (after February 12, 1885) would be after the expiration of appellant's contract.

(*c.*) In addition to their intrinsic value, the Haish patents were of peculiar and special value to appellee.

Washburn testifies: that in July, 1881, appellee and Ellwood were manufacturing in their factories over 15,000 tons of barb wire annually, and that he was "Advised by counsel that the reciprocating perforated head which was a feature of the (Stevens' patent 222,608) was in use in a part of our machinery at De Kalb, and also in some of our machinery at Worcester, *and that such fact would give us trouble*, unless we could add that Stevens patent to the other patents we had." (R.387.)

A release was executed by Haish to appellant of all claims under those as well as the Haish "S" Barb patent.

Appellee thus considered these patents of very great value.

II.

The object of appellee in purchasing the Haish patent properties.

(*a.*) Before entering upon the business of manufacturing barb wire, and before seeing Ellwood or Glidden, Washburn saw Haish. and endeavored to buy him out. Haish would not sell. (R. 491. 691,) Washburn then saw and made an arrangement with Glidden and Ellwood. Haish introduced Washburn to Ellwood at the time Ellwood purchased his interest from Glidden (R.691.) An interference suit was then pending in the Patent Office at Washington, between the Glidden and Haish patents. (R. 691.) Appellee was at that time advised by its counsel that the Haish patents were of equal value with those owned by Glidden and Ellwood. (R. 491.) Coburn then advised appellee to buy the Haish patents. (R. 701.) From that time until the 26th of July, 1881 appellee was endeavoring continuously to purchase the Haish patents. (R.493.) Appellee

classed the Haish "S" barb patent and the Stevens machine patent (then owned by Haish) among what it designated "Bottom Patents," and in the same category with the Hunt, Smith, Kelly, Glidden and Kennedy barb wire patents. (R. 445.)

Still, the Haish "S" barb patents, as the Glidden and Kennedy patents, was subsidiary to the Kelly patent. Appellee was advised by its counsel in July, 1881 that if it purchased Haish's patent properties, "*it would completely control the manufacture of all barb wire* in the construction of which the barb passed between and around the main wires." (R. 484.)

Washburn says: "After our company entered on the manufacture of barb wire, we proceeded to improve the machinery we already had and in every way in our power to cheapen the cost of barb wire. In addition to the patents on barb wire and barb wire machinery purchased and held by our company and I. L. Ellwood as already stated, we purchased in considerable numbers, other patents having reference to barb wire and machinery for making barb wire, buying them as fast as any including any merit in our judgment presented themselves. There were 250 more or less, of these patents. *Our object in purchasing these patents was to control the business.*" (R. 438)

Stiles says: "They (appellee) acquired those (patents) from time to time, more particularly for themselves to be in a position to keep on in the business after the first patent (Kelly) expired." (R. 277.) This had been appellee's course fromthe start.

Calkins says appellee acquired those patents to protect their interest after the Kelly patent expired. (R. 147.)

Washburn testifies: "I considered the Haish "S" barb patent to belong to the 'bottom' patents on style of wire, and the Stevens' Machine patents * * * among the 'Bottom Machine Patents.' (R. 491.)

Washburn gives as the reason for purchasing the Haish patents,

"Because he (Haish) owned the only 'bottom' patents which we had not acquired, having reference to *styles* of barb wire or machinery for making same." (R. 445.) And, "In view of what I knew about these patents * * * *there was just one set of patents* and only one set of patents, that *I wanted to buy then, and those were the Haish patents*," and desired "to get them as cheap as we could, and take advantage *ourselves* of the uncertainties in the future." (R. 388.)

Appellant's contract expired February 12, 1885; Glidden's patent expired February 8, 1892; the Putnam patent and the licenses expired

February, 27, 1894. If appellee got control of the Haish patent properties, then, with the Haish "S" barb patent and the Stevens' machine inventions, appellee thought it would, with the other letters patent purchased by it, be able to control the entire barb wire business, until February 1, 1899, (when the Stevens' machine patent expired.)

By making purchase of the Haish patents, as Washburn says, appellee took "advantage (themselves) of any of the uncertainties of the future," of the barb wire business, for *fifteen* years after the expiration of appellant's contract.

The object of appellee in purchasing the Haish patent properties, therefore, was to control (with its subsiduary and bottom patents, including the Haish patents) the barb wire business for the full period of the Stevens' patents, expiring in 1899.

By purchasing the Stevens' inventions, appellee and Ellwood also relieved themselves of a liability to Haish by reason of their using in the manufacture of their wire features of that patent, which fact they were then advised by their counsel "would give us (appellee) trouble", unless they could purchase those patents. (R. 387.) Every pound of wire made by appellee and Ellwood, they say, was subject to this liability. This personal liability was an important factor in the purchase of these patents.

(*b*) The purchase of the Haish "S" barb patents was not for the benefit of appellant.

(1) It is admitted by appellee, and has never been otherwise contended, that the Kelly was the bottom patent, controlling all wire having a fixed or rigid barb. The Haish, like the Glidden barb, was a subsiduary patent to it. The decision of Judges Blodgett and Drummond was, that the Haish was the infringing patent and on the strength of this decision appellee licensed upwards of 108,000 annual tons of wire.

(2). Nor, can appellee contend for a moment that the purchase of the Stevens' machine invention was for the benefit of appellant.

No claim is or can be made that the machines used by appellant in the manufacture of its wire, infringed the Stevens machine patents Nos. 222,608, (R. 1119.) 253,781 (R. 1123.)

In making the Kelly wire the barbs are cut from metal by machinery, and provided with a hole, corresponding to the size of the wire, and are then strung on the wire. The barbs "strung upon a wire close together" are separated by suitable projections, and cut offs, move forward on rotating rollers, and at suitable distances force is applied on the barb, thus fixing it to the main wire (Mitchell machine patent 172,160.173,491. R. 1089.1092.) In the Kelly wire the barb (being a sheet metal barb) is strung on the wire, to which it is intended to be fixed, *before* it is brought to the machine designed to fix the barb upon the wire. In both the Stevens patents, Nos. 222,608 and 253,781, are contained inventions designed to insert a *wire* barb between two wires and around one or both of the main wires, as such wires are advanced in the machine. In the Kelly wire the *barb* itself is finished before being brought to the machine. Under the Stevens inventions the barb is made after the barb wire is in the machine, and the barb is formed by proper mechanism *in* the machine. There was no feature of Stevens' invention which could be utilized in making the Kelly barb.

Washburn testifies "*I did not know at that time* whether or not the Thorn Wire Hedge Co. in manufacturing its barb wire used the reciprocating perforated head." (R. 387) So far, therefore, as relates to the particular mode of making the specific style of the Kelly barb wire no feature involved therein infringed any of the mechanism described in the Stevens' invention. Such purchase was not for the benefit of appellant in the manufacture of its wire.

(*c*). Nor, did appellee purchase such patents for the benefit of its licensees. Upon the commencement of the barb wire business, appellee was met with an infringement between Haish and the Glidden. (R. 691.) An interference suit had been pending in the Patent Office between the Putnam machine patent and the Stevens' machine, long prior to January 1, 1881. (R. 465.)

Able counsel, after thorough investigation, had advised in January, 1881, that appellee could safely license its licensees under the bottom patents then owned by it, and it acted upon such advice, and in January and February, 1881, licensed 30,000 tons (out of 50,000 tons) which appellee now claims was of the same style as the Haish "S" barb. There was no change in the condition of the Haish patents between January and July.

The great difficulty with appellee was, that by reason of Haish selling unlicensed wire, appellee feared he might possibly undersell the licensees, at the price fixed by appellee and Ellwood. This was the reason given by Ellwood to appellee July 9th, for haste in closing the purchase. (R. 401.) And the sole reason given by appellee in a letter sent out to each of its licensees, asking for their consent to the Haish purchase, was "for the purpose of preventing the cutting of prices and disturbing the barb wire trade." (R. 402.) And as to this Coburn testifies: that "the particular feature of the decree" then entered against Haish relating to the observance of prices, "I regarded as more favorable than the form in which we had drawn" it (R. 701). And Washburn wrote Ellwood: "We are very well satisfied with the present form of the decree against him. It puts him in a very bad position." (R. 395.)

No licensees had threatened or refused to pay royalty by reason of Haish's patents. (R. 387.) Nor had Haish in any way interfered with any of appellee's licensees, or threatened to interfere with them in the enjoyment of their rights. (R. 387.)

Nowhere in the correspondence which passed between Ellwood and appellee from April 28, to July 11th, relating to the purchase of these patents is there even an intimation that Haish threatened in any manner to interfere with the licensees. Neither appellee or Ellwood suggested that their licensees will or will not suffer by the purchase of of these patents, or that their welfare is at stake. The sole and only reason given is, the absolute out and out purchase of the patents. Generosity had not been a virtue of appellee. If it was that the licensees' interest would suffer, if such purchase were not made, appellee would have given Ellwood that reason, when urging him to secure the Haish option.

And appellee had by § 3 of its license carefully guarded itself as to any liability to any of its licensees, as to any claim Haish or any other person, might have on account of any patent, by providing that each licensee assumed "all such risks and liabilities" as to every letters patent, except those therein specifically named. (R. 360.)

(*d.*) The real reason in purchasing Haish's patents was that appellee would thereby be better enabled to control the vast and increasing tonnage until the expiration of their licenses, and after the expiration of appellant's contract, during the life of Haish's patent

properties, and from which vast revenue was then anticipated. Washburn says, that they expected Haish would manufacture his full tonnage, in which event, appellee would realize $70,000. net in each year from that source alone, and appellee could well afford to make use of the future in acquiring the Haish patents, which Washburn testifies: were the only bottom patents on both wire and machines not then owned by appellee. (R. 445, 497.)

The amount of barb wire made and sold in 1885, Washburn states, was 150,000 tons. (R. 436.)

Washburn says, "Upon the purchase from Haish of the Stevens' inventions, we then believed and claimed that with the Stevens' inventions and the Putnam inventions, then owned by us, we then owned and controlled *all the bottom* machine patents controlling automatic machinery for making barb wire." (R. 497.) The licenses issued by appellee subsequent to 1885, including *specifically*, the Stevens' patents. (R. 355.)

With the Putnam patent expiring in February, 1894, and the Stevens' patent expiring in 1899, appellee "had full" control (as stated by Coburn in appellee's circular May 21, 1884), of the manufacture "of all the styles of barbed wire being manufactured." (R. 317.) For the remaining years after the expiration of appellant's contract, it had no interest whatever in such licenses. It was for the benefit of appellee alone, after the expiration of appellant's contract, that these patents were purchased by appellee.

Appellee not only considered the Haish patent properties very valuable, but believed them necessary for its own protection, as a manufacturer of wire as well as for its future protection after the expiration of the Kelly patents.

Subsequent events showed that such purchase of the Stevens' inventions was necessary to appellee's existence after the expiration of the Kelly patent. It was on this patent appellee relied when Mr. Justice BREWER in *W. & M. Mfg. Co.* v. *Grinell Wire Co.*, 24 F. R., 23 (R. 784), on May 28, 1885, three months after the expiration of appellant's contract, held the Putnam machine patent not to be a *bottom* patent.

III.

Had appellant the right to rely upon appellee's representations when making such release?

(*a.*) Appellee negotiated through Ellwood for the purchase of these patents. (R. 395, 402.) On June 29th, 1881, Ellwood secured a proposition in writing from Haish addressed to appellee *and* Ellwood for the sale of his patents, substantially as follows:

1st: Haish to assign all his patents and inventions to appellee *and Isaac L. Ellwood.*

2nd: Haish to take a license from appellee *and Ellwood* for 10,000 annual tons of the same kind, and to pay the same royalty on all wire manufactured and sold by him as their other licensees.

3rd: Appellee *and Ellwood* to pay Haish for his patents $10,000. in cash; a royalty of 75c. per 100 lbs. upon 4,000 tons of barb wire to be made by appellee, *Ellwood* and their licensees, in each year; and a further royalty of 25c. per 100 lbs. upon the further amount of 4,000 tons to be made in like manner in the same year. (R. 694.)

When communicating with Ellwood (June 3rd) in reference to the proposed purchase, Washburn wrote that appellee would not close with Haish "until we have arranged with the Thorn Wire Hedge Co. and with Glidden, so that we shall not have to pay *them*, in addition to what we have to pay out *to* Haish." And that Ellwood should tell Haish what "We (appellee) *must accomplish with the Thorn Wire Hedge Co.* before closing" with him. (R. 398.)

On July 5th, upon receipt of the Haish proposition, appellee immediately telegraphed Ellwood: "Will Glidden forgo," and on the 7th, "Commit Glidden in black and white right off." (R. 400.)

July 11, 1881, appellee wrote Ellwood: "*We certainly have got to arrange with the Thorn Wire Hedge Co.* and we shall depend on you to have Glidden in black and white, so he won't bolt. *We shall have a hard time with the Thorn Wire Hedge Co.* no doubt, and quite likely, they will break up the whole arrangement." (R. 402.)

The Court will remember, that during this very time appellant was strenuously endeavoring to get appellee to perform its duty under its contract, and render a statement of moneys which it had received for back damages from its various licensees, in January and February, 1881, and to which appellee was entitled. Up to this time appellee had refused to render any such statement or make any payment on account of the moneys so received. It was because of appellee's refusal to do its duty towards appellant that difficulty was anticipated.

Correspondence passed between appellant and appellee prior to July 27, 1881, relative to the claim of appellant for its share of back damage money, yet not in a single letter did appellee intimate that it was then contemplating the purchase of the Haish patents, or ask its advice relative thereto. Such option was never shown appellant. (R. 265.) Appellee never wrote to appellant about the contemplated purchase. (R. 493.)

(*b.*) The purchase was decided upon by appellee alone.

On June 2nd, Washburn wrote Ellwood, that

"By arrangement we had a full and careful conference as to all matters appertaining to our barb fence litigation. With Thurston, Dodge, Mr. Moen and Judge Dewey in our counting room here, so we had a good opportunity to go carefully over the whole ground and being able to have all that Mr. Thurston and Mr. Dodge could give us in reference to this Haish matter, in addition to what I myself could contribute. The conclusion was that I had better write you a good long letter about this Haish business." (R. 397.)

Washburn, Moen and Dewey were three of appellee's directors. After writing fully what the opinions of their Directors were, and urging him to procure an option from Haish for the purchase of his patents, such option to be drawn by Mr. Payson or Mr. Goudy, if possible, he says, "Do not rest till you get it in black and white, so that it will hold him until we can meet and make out the regular papers which we want Thurston or Mr. Dodge to do." (R. 398.) Upon the receipt of this letter Ellwood sought Haish, and on June 30th, after much correspondence with appellee, secured an option from him in "black and white," which option is substantially upon the same terms as those agreed upon by appellee, in its counting room on June 1st.

In making the purchase of these patents, appellee consulted its Counsel, B. F. Thurston, C. K. Offield, L. L. Coburn and T. H. Dodge. They advised the purchase of the Haish patent properties. (R. 446.) Washburn says: "We (appellee) accepted, approved and acted upon the advice of our counsel." (R. 447.)

The Board of Directors of appellee met for the express purpose of considering Haish's proposition, and they thereupon determined to accept it. (Washburn, R. 496; Ellwood, R. 691.) Washburn and

sibly have upon the contracts with the licensees. Coburn gave it as his opinion that it would not affect those contracts." (R. 271.)

"In this matter of the settlement with Haish we did not recognize that our interest was like the interest of Washburn & Moen Manufacturing Co., differing only in degree. I think we had found out by that time that our interests were considerably different, the way they treated us then. By that time it was evident that Washburn & Moen were figuring for the barb wire business *ahead of the time that our royalties would expire* and it had become evident that *they were figuring with that in view all the while for themselves* and perhaps against us in a good many instances. That had become evident from the general character of all the contracts and everything they were making so far as I knew. Our contracts had about four years to run. Our patents run out the first of any of the early patents." (R. 272.)

"I knew they were sacrificing our interest for the sake of the barb wire business ahead of the time that our patent run out. I don't know as I can specify any particular instance now, but it was evident all the way through for some time that they were doing that; I recognized that fact and did not see that we could help it. (R. 273.) * * * I did regard the settlement with Jacob Haish as a partial sacrifice of the interests of the Thorn Wire Hedge Co. for the sake of promoting the future advantage of the Washburn & Moen Manufacturing Co. * * * I supposed that it was a settlement which they had a right to make, and that it would not affect the contracts with the licensees. *I did not suppose that they would draw contracts so that they would be affected that way.*" (R. 273.)

On Re-direct examination Stiles says:

"We were not asked by Washburn & Moen Manufacturing Co., or anybody representing them, to do anything more towards the payment of the Haish patent properties at the time we signified our willingness to do so, than to *abate the royalties* coming to the Thorn Wire Hedge Co. *on Haish's own manufacture.*

"I consider they were making these settlements with Haish for their own interest. * * * *After seeing Mr. Coburn at the time he told me it was not expected we were to release or abate our royalties upon the manufacture of any other licensee, I communicated that fact to Mr. Calkins and others of the directors of the Thorn Wire Hedge Co.*, prior to making up our minds whether or not we would release our royalties on the Haish manufacture. *It is a fact that I and the other members of the Thorn Wire Hedge Co. relied upon that promise to us by the defendant, that we would not be required to release our royalties upon the manufacture of any other licensee, excepting Haish, in our signing the agreement to release the royalties on Haish's manufacture, and I so informed Mr. Washburn and others representing the defendant.* It is a fact that I had a good deal of talk with other members of our company about it. I

was in favor of doing it, and I talked with Mr. Calkins considerably about it, they thought it was for the benefit of Washburn & Moen, and they thought it was asking a good deal from us to release them from the royalties upon Haish's manufacture, as it was a matter that was going to benefit Washburn & Moen a great deal to have that settlement made, and they thought they were doing a good deal to do it, *and in those talks I told them what Coburn told me, I talked with them a good deal and told them that it was not going to affect us in any way at all, that Washburn and Coburn and Ellwood had said so.* I talked with those parties several times after I had talked with Calkins, *and told them what Calkins had said.*" (R. 280.)

"It had been early in the history of the barbed wire litigation represented to me by the defendant that they thought of buying out his (Haish's) entire business. But *at the time the purchase of the Haish patent properties was actually consummated, the only matter talked of, buying him out, was the purchase of his patent properties.* I did not talk with Haish at any time after the proposition of June 29, 1881, was made to defendant, and prior to the time the Thorn Wire Hedge Co. executed its release in regard to the negotiation. *It is the fact that all the information that I personally received in reference to the proposed purchase of the Haish patent properties in July, 1881, was what I received from the* defendant, *or some of the counsel of the defendant, or some one representing the defendant.* (R. 280.)

He further says, "Prior to signing the release * * * it was represented to me by the defendant that (it) was going to buy his (Haish's) patents." (R. 280.)

"I simply understood that they would add the Haish patents to their bank of patents." (R. 282.)

On re-cross examination he says:

The purport of it was that all it would amount to would be for us to abate or release the royalty on what Jacob Haish would make, and it would not affect anything else; *it would not affect any other licensees.*" * * *

"This was the substance of our conversation when they spoke to us about that matter. I said that we had reduced formerly, upon previous occasions, the amount of royalty that was coming to us, that we had made an abatement of thirty-seven cents, *and we did not propose to make any further abatement.* That was said by me in substance in the course of our communication with Mr. Coburn, and Coburn answered, that that was not required of us *or expected that of us at all.*" (R. 283.)

Although called to the witness stand after Stiles had testified as above, neither Washburn, Ellwood and Coburn denied that Coburn was requested by Washburn to see and urge Stiles to get the con-

sent of appellant, or that Stiles was requested by Washburn to go and see Calkins, or that Stiles did report to Coburn, Washburn and Ellwood what Calkins said. On the contrary, Washburn says: "I know * * * Stiles conferred with Mr. Calkins on that subject (Haish purchase,) or said he was doing it." (R. 475.)

Neither Coburn, Washburn or Ellwood deny these interviews with Stiles.

Gary Calkins, one of appellant's directors, testifies:

"My understanding was that if certain concessions were made, that we consented to what Mr. Haish demanded, *it would not affect our royalties;* in the future at least" (R. 321.) "It was represented to me that in making the arrangement in regard to Jacob Haish, *it would not affect our royalty as to any other licensee* of the Washburn & Moen Manufacturing Co." (R. 322.)

Ellwood testifies: "I stated to Mr. Stiles that if we purchased the Haish patent properties, * * * Washburn & Moen would have to refund a certain sum of money *to Haish for his patents*, that the Thorn Wire Hedge Co. should refund the proportion it received, in other words, in the deal that was made, Washburn & Moen was *to pay Mr. Haish* a certain sum on each ton of wire, while Mr. Haish was to pay the regular license same as any body else. Now they desired that the Thorn Wire Hedge Co. should pay their proportion *to Mr. Haish* that Washburn & Moen paid for them, or paid rather to make a settlement. *I don't think that it was expected that the Thorn Wire Hedge Co. would pay a larger sum of money towards the purchase of the Haish patent properties by Washburn & Moen, than the Thorn Wire Hedge Co. actually received* UPON THE PART OF MR. HAISH. (R. 692.)

Washburn testifies, that after appellee got Haish's option, he told appellant, "Unless we make some *special* exception to the arrangement we already have with you on this 8,000 tons at any rate, or the 8,000 tons of the 10,000 tons we authorized Haish to make under his license *we have got to pay your license fee right along.* We think you should take hold and help us, in view of the common jeopardy to this common property *by a remission to just that extent*, and they agreed to it." (R. 493.)

It was on these representations then made to appellant by Washburn and Ellwood, and by Coburn, their attorney, that the paper to be signed by appellant was, and should be "a remission of its royalty to just the extent" of royalty on Haish's own manufacture *and no more*, and on these representations alone that the release paper was executed by appellant, and the fact that appellant relied on

such representations was made known to appellee before its signature was obtained. (R. 280.)

(c.) Appellant having signified its intention to remit its royalty on Haish's individual manufacture, appellee consummated the purchase of the Haish patent properties.

The papers prepared for that purpose which were drawn by appellee's counsel (R. 280, 476.) to carry out the remission of royalties on Haish's manufacture desired from appellant were presented for its signature and signed by it.

When drawing the alleged release as to back damages, appellee also inserted the following:

"Furthermore, in the execution of the existing agreements between the parties bearing the date, July 3, 1876, December 2, 1878, and August 7, 1879, before referred to, providing for the payment of fifteen cents by the Washburn & Moen Manufacturing Co. to the Thorn Wire Hedge Co. as consideration money for the Kelley patents, upon every 100 pounds of barbed fence wire manufactured and sold by it, or its licensees, or by its authority, the said, The Thorn Wire Hedge Co. does release *and surrender* any claim against the Washburn & Moen Manufacturing Co. *for any share in or proportion of the license fees or royalties which it shall recieve* FROM JACOB HAISH, under the agreement between the Washburn &Meon Manufacturing Co. and the said Jacob Haish (a copy of which has been furnished to the Thorn Wire Hedge Co.) *which shall be required under said agreement* to be applied by the Washburn & Moen Manufacturing Co, or used in *the payment of any consideration for the purchase from said Haish of certain patent properties*, and the release of claims for infringements against licensees under said agreement." (R. 217.)

All that was contemplated in the papers signed by appellant was a release of its claim to any part of the royalty, past or future, which appellee was or would be entitled to receive from Haish on *his own* individual manufacture, and which appellee should apply or use "in the payment of any consideration for the purchase from Haish of certain patent properties."

There is no release or surrender of any claim of appellant for any royalty upon the manufacture of any other of appellee's licensees than Haish. It is simply a surrender of appellant's right to exact royalty upon Haish's individual manufacture which it would otherwise have been entitled to had such release not been made.

* * * when there is no express promise to pay in gold, *still the implication must be found in the language of the contract.* It is not to be gathered from the presumed or the real expectations of the parties. As was said in *Knox* v. *Lee*, 12 Wall., 457, (79 U. S. XX., 287), 'The expectation of the creditor and the anticipation of the debtor may have been that the contract would be discharged by the payment of coined money, but neither the expectation of one party nor the anticipation of the other constitutes the obligation of the contract. There is a well recognized distinction between the expectation of the parties to a contract and the duty imposed by it. Were it not so, the expectation of results would always be equivalent to a binding engagement that they should follow.' There is sound reason in what was said by Lord Denman in the Queen's Bench, in *Aspdin* v. *Austin*, 5 Ad. & Ell., (N. S.), 671, which was an action upon a covenant. 'Where parties,' said his Lordship, 'have entered into written engagements with express stipulations, it is manifestly not desirable to extend them by any implications. *The presumption is, that, having expressed some, they expressed all the conditions by which they intend to be bound under that instrument.* It is possible that each party to the present instrument,' said he,'may have contracted on the supposition that the business would in fact be carried on and the service in fact be continued during three years, and yet neither party be willing to bind themselves to that effect; and it is one thing for the court to effectuate the intention of the parties to the extent to which they may have even imperfectly expressed themselves, *and another to add to the instruments all such covenants as upon a full consideration the court may deem fitting for completing the intention of the parties, but which they, either purposely or unintentionally, have omitted.* The former is but the application of a rule of construction to that which is written; *the latter adds to the obligation by which the parties have bound themselves,* and is, of course, quite unauthorized, as well as liable to great practical injustice in the application.' "

After reviewing many authorities, Mr. Justice HARLAN, in *Hale* v. *Finch*, 104 U. S., 261, says:

"According to the authorities * * * and from the reason and sense of the thing a covenant will not arise unless it can be collected from the whole instrument that there was an agreement, or promise, or engagement, upon the part of the person sought to be charged, for the performance or non-performance of some act."

The instrument contains no release of or an account of money accruing from any other licensee. The language used in the back damage settlement is that appellant "does release and *surrender* any claim against (appellee) for any share or proportion of the license fees for royalties which it shall receive from Jacob Haish," not from any other licensee. Appellant is not seeking to recover from appellee any money paid as royalty to appellee by Haish on his own

manufacture, which is released by this paper. Appellee can not claim a remission or surrender royalty upon the manufacture of any other licensee under the terms of the two papers executed by it. If it had intended appellant should abate its royalty upon the sale of any other licensee than Haish, would not some of the numerous counsel—Thurston, Coburn, Offield, or Dodge—have inserted some appropriate clause therefor? Appellee took much oral evidence for the purpose and seeks to add to this contract an entirely new covenant on the part of appellant.

Says Mr. Justice BRADLEY in *Brawley* v. *United States*, 96 U. S., 178: The surrounding circumstances under which it was executed, "may be very properly taken into consideration to ascertain the subject-matter of a contract, and the sense in which parties may have used particular terms, *but not to alter or modify the plain language which they have used.*"

Mr. Justice STORY says, in *Maryland* v. *Railroad Co.*, that such surrounding circumstances can "not (be used) for the purpose of adding a new and distinct undertaking."

This, appellee is seeking to do in this case.

Appellee having thus fixed the amount of royalty it desired remitted or surrendered by appellant by a carefully drawn contract, this Court will not imply an additional promise or covenant.

Phelps v. *Sheldon*, 13 Pick., 50.
Waite v. *Merrill*, 4 Greenleaf, 102.
Stockett v. *Watkins*, 2 G. & J., 325.

"Promises *in law* exist only in the absence of express promises:"

"*Expressum facit cessare tacitum.*"
Chitty on Contracts, 23.

Says the Court in *Booth* v. *Cleveland Rolling Mill Co.*, 74 N. Y., 15:

"When a contract is drawn with technical accuracy, and with obvious attention to details, and there is absence of language tending to a conclusion that the covenant or promise sought to be set up was intended, such covenant or promise will not be implied."

Citing: *Hudson Canal Co.* v. *Penn. Coal Co.*, 8 Wall., 276.

In this last case Mr. Justice CLIFFORD reviews the authorities relating to implied covenants, and refuses to add an implied covenant to a contract, the subject-matter of that suit, because the language

to express the covenant sought for was entirely wanting in the instrument.

We have shown that the negotiations for the Haish patent properties was determined upon and brought around directly and entirely by and through appellee and Ellwood, and not bought by reason of or through any act of appellant.

The proposition of Haish was forwarded by Ellwood direct to appellee, and it was not until afterwards, Ellwood states, that he saw Stiles and asked appellant to release its claim for past damages and future royalty upon Haish's sales. (R. 692.) All that appellant was asked to do by Ellwood or Coburn was to remit (surrender) its claim to royalties upon the past manufacture of Haish, alone amounting to more than $44,000 and upon its claim for royalty upon the future manufacture of Haish. Appellant simply relinquished its claim upon Haish's royalty for the purpose of appellee carrying out the purchase of Haish's patents which its board of directors had previously determined to make. (R. 691.)

The letters passing between appellee and Ellwood relating to the purchase of Haish's patents (R. 395–402), show conclusively that appellee and Ellwood alone determined to buy the Haish patents for their own use, having in view the future business after the expiration of appellant's contract in 1885; and that appellant was not expected to contribute thereto, save and save only to the extent of its royalty on Haish's individual manufacture.

IV.

Appellee sets up in its answer, that it refused to purchase the Haish patents, unless appellant "would join therein, bear its due proportion of the burdens thereof," and sets up in its cross-bill that appellant "did by its writing, duly executed, authorize and request (appellee) to make settlement with said Jacob Haish, upon the terms above stated, and request (appellee) to consummate said settlement on said terms." Appellee now sets up in the defense of this suit, and makes the same a foundation for its cross-bill that appellee purchased the Haish patents by reason of the request and authority contained in the release as to the royalty upon the Haish manufacture, and bases its authority upon the fact that appellee in drawing the agreement signed by appellant relating to Haish, used the word

"does authorize" appellee and Ellwood to make settlement with Haish for past infringements, to grant license and agreed to release appellee from its obligation to account for royalty upon the Haish manufacture. (R. 215.)

It will not be seriously contended for a moment, when the circumstances under which this paper was drawn, are fully considered, that because appellee's counsel used the word "authorize," therefore, appellee made such purchase, upon the strength of such paper.

The Glidden Release.

Glidden used the same word authorize when remitting his royalty on Haish's manufacture.

After appellee had obtained Haish's proposition it immediately wired Ellwood to ascertain whether Glidden would forego his royalty, and instructed him to commit "Glidden in black and white right off" (R. 401) "so he wont bolt."

Calkins testifies:

"It was stated at that time that Mr. Joseph F. Glidden was to contribute on the same basis; that is to say, his share of the royalties that would accrue on the manufacture of 4,000 tons per annum which Haish was to be licensed to manufacture, and his proportion of 25c. per 100 pounds on 4,000 other tons, which Haish was to be licensed to manufacture." (R. 145.)

The paper signed by Glidden is almost identical with that signed by appellant.*

The only difference between this and appellant's release is, that the

* "I do hereby *authorize* the Washburn & Moen Manufacturing Company to purchase all the letters patent, and rights to letters patent, and inventions of Jacob Haish * * * to settle for him for his past infringements of patents * * * to grant to said Jacob Haish * * * a license * * * to manufacture 10,000 tons annually of barbed fence wire, and to release said Washburn & Moen Manufacturing Company and I. L. Ellwood from all obligations under the agreement subsisting between them and myself at this date, to pay me in proportion of the moneys which are due or shall be received from said Haish in settlement of past infringements, or for royalties herein and hereafter paid under said license granted to him, which may be required to be conceded in settlement with said Haish, or to be expended in the consideration money for the transfer and conveyance of said patents * * * as expressed in an agreement made between said Jacob Haish and the Washburn & Moen Manufacturing Company, bearing even date with the said license to Jacob Haish." (Dated July 25th, 1891. R. 695.)

Glidden release was dated July 25th, and executed before the Haish purchase was consummated.

Washburn, on his direct examination, says: "Glidden gave us a paper *of the same purport* as that given us by the Thorn Wire Hedge Co., with reference to his relations, *as to any royalty which he might have to* FOREGO." (R., 447)

Thus appellee had no intention of procuring from appellant any paper of a different purport from that obtained from Glidden relating to the Haish settlement. The paper given by Glidden "of the same purport" as appellant's, stipulates solely as to royalty to be received from Haish on his own manufacture. The agreement for the payment by appellee for Haish's patents was assignable. The license to Haish was not assignable, without the consent of appellant and Ellwood. In another paper of the same date and made at the same time between Glidden and appellee, it is provided that if Haish's license be assigned then such assignee would have to pay Glidden his then fixed royalty, (viz: 10c.) upon such assignee's manufacture, while Haish, or his assigns, would still receive payment of royalty for his (Haish's) patents. (R. 696, Ex. Ell. 2.)

This conclusively shows that it was the intention of appellee in drawing these papers, to so shape them that appellee would not have to pay appellant and Glidden any money in addition to the royalty upon Haish's own manufacture. That is all Washburn asked in his letter of June 3rd. Glidden and appellant were both asked to give, and both gave, releases of royalties on Haish's individual manufacture and no more.

The Request Paper of Licensees.

(*a.*) So every licensee who signed the Haish release used the same words as appellant, "authorize and request" appellee to make such purchase, yet it will not be contended that appellee made such purchase at their request.

The Board of Directors of appellee, having determined to purchase the Haish patent properties, Washburn wrote Ellwood on July 7th, that they would make "this arrangement with Haish regardless of our present licensees." On July 11th he wired and wrote Ellwood, "We don't propose to ask permission of our licensees," (R. 401, 402) and wrote further "Thurston, Dodge, and *we here have decided* that

it is impolitic and futile to apply to licensees for such permission, and *that the only proper way is to pay Haish for his patents, and let him pay us the regular license fee. We will explain all when we see you. The writer expects to be in Chicago with Mr. Thurston next Monday night.*" The mode of payment by appellee was the same as that adopted for the purchase of their other bottom patents. And these patents being of great value, as represented by appellee, there is certainly nothing in any contract with appellant, that prevented appellee from buying the Haish or any other patents it saw fit.

After appellee had purchased the Haish patent properties, Mr. Offield, counsel for appellee, suggested that the licensees of Washburn & Moen, and Ellwood should join in a paper consenting to the purchase of the Haish patents. (R. 163. 448.) But Stiles repeatedly said he could not understand why such a paper was necessary. (R. 165, 654, 655.) Thereupon all the licensees, excepting the Chicago Galvanized Wire Fence Co., The Crandal Mfg. Co., and the Hawkeye Steel Barb Fence Co., without any hesitation signed such paper, authorizing and requesting appellee and Ellwood to purchase the patents from Haish and grant him a license. What better evidence could be produced to show that appellee made the purchase without relying upon such requests, than Washburn's letter and telegram of July 7th and 11th, and the further fact that such purchase was made before a single signature had been obtained from any licensee. (R. 454.)*

---

* "We, the undersigned licensees under certain letters patent for barbed fence wire and machinery for making the same owned by the Washburn and Moen Manufacturing Company, or by it and Isaac L. Ellwood, do, in consideration of the benefits and advantages which will accrue to use and to each of us therefrom, *authorize and request* said Washburn and Moen Manufacturing Company *and said Isaac L. Ellwood* to purchase of Jacob Haish, of De Kalb, Illinois, all of his letters patent and rights to letters patent upon such terms and conditions as they can arrange with him as to payment of the consideration for such purchase, out of the royalties to accrue to the Washburn and Moen Manufacturing Company and Isaac L. Ellwood, from said Jacob Haish, under a license to manufacture and sell barbed fence wire under the letters patent owned by said Washburn and Moen Manufacturing Company and Isaac L. Ellwood, running to February 27, 1894; which license we do hereby authorize and request to be granted to the said Jacob Haish, wherein the said Jacob Haish shall be confined by the terms of the said license to observe, in the sale of barbed fence wire manufactured by him, *the same schedule rate of prices* which are now, or which from time to time shall be fixed for the government of the licensors and all licensees, and *whereby he shall be limited to a fixed amount of tonnage* or quantity of barbed fence wire to be sold by him in each year during such license.

IN WITNESS WHEREOF, we have hereunto set our hands this 25th day of July, A. D. 1881." (R. 373).

The Hawkeye Steel Barb Fence Co. not signing such consent, Offield wrote a letter to Stiles asking him to endeavor to secure the signature of that licensee. (R., 687.) Stiles complied with such request, made an effort, but failed. Stiles and Calkins, as licensees, also signed this paper.

And the action of Stiles in endeavoring to procure the signature of the Hawkeye Steel Barb Fence Co., at the request of appellee, and the action of Stiles and Calkins, as licensees, signing such request as licensees will be urged upon the Court as a reason why appellant should be held beyond the terms of its covenant. Every paper executed by appellant relating to the payment of royalty was brought for action before the board of directors of appellant. The papers brought before the board of directors of appellant, relating to Haish were approved by the board. Nothing else was asked of appellant than as incorporated in those papers. Stiles was acting on behalf of appellee in procuring such signature. Stiles and Calkins were individual licensees, and continued to be such licensees of appellee up until January 27, 1894, paying royalty under the terms of their license.

(*b*) Appellee will claim that such papers were without any valid consideration, and are not binding on the licensees.

When appellee presented the paper to Calkins for the signature of Stiles and Calkins it said the same kind of paper "was and would be signed by the other licensees." (R. 144.) And in a circular letter written by Mr. Washburn to the licensees, he says: "the others (licensees) will sign as soon as they have an opportunity." (R. 402.)

Appellee said that full information would be given to each licensee before signing. (R. 156.) We assume that such full information was given. There is nothing to show it was not. Until the argument of this case in the court below, no such claim was ever made. Appellee and Ellwood always contended that such papers so signed by their licensees were binding. Appellee does not now set out in its pleading that such papers are not binding on its licensees. In the case of the Ohio Steel Barb Fence Co. appellee and Ellwood set up in their answer that "said paper (request paper of licensees) was

and is binding upon each of the parties who signed the same." (R. 708.)

This answer was filed in November, 1884, but *three* months before the expiration of appellant's contract, and two years after Judge GARDNER decided adversely to appellant in the Galvanized Fence Co.'s case. That appellee relied upon this paper executed by its licensees, is further shown by its letter of September 19, 1884.

It then wrote appellant asking for a return of moneys claimed by it to have been paid in settlement with the Crandal Manufacturing Co., and gave as a reason for such repayment, that it was "A case similar to that of the Chicago Galvanized Wire Fence Co. against us, in which the Court decided that they were entitled to recover of us, on the ground of the contract made between Mr. Haish and ourselves, *they not having signed any assent thereto.*" (R. 547.)

Nowhere, *in any letter*, and never until *after* the institution of this suit, was it even intimated that appellee purchased Haish's patents by reason of any act of appellant.

Appellee purchased the Haish patents solely and only upon the advice of its own counsel, and upon the action of its board of directors, and not upon the request of appellant, Glidden or its licensees. These persons, like appellant, are bound to the extent of their several contracts. It does not lie in appellee's mouth, after having received and claimed the benefits of these contracts, during the entire life of appellant's contract, to now say they were obtained fraudulently by its own wrong, and therefore are not binding on the licensees. Appellee obtained these papers no more fraudulently than it procured the release paper executed by appellant. Do counsel state that such paper wasalso procured from appellant by reason of fraudulent misrepresentations or want of consideration? says Mr. Chief Justice MARSHALL in *Fletcher* v. *Peck* 6 Cranch 87 "a party is estopped by his own grant." Is not appellee equally estopped by the acceptance of these releases from its licensees? The same principle applies as against the grantor.

(*c*) It was a question of much solicitude, whether or not appellee could get appellant to release its royalty on Haish's manufacture.

On June 3d, it wrote Ellwood that it would not purchase the patents unless it could arrange with appellant and Glidden, "so that we

shall not have to pay them in addition to what we have to pay out to Haish."

On July 5th and 7th the matter was of sufficient importance for appellee to wire Ellwood "To commit Glidden to black and white." (R. 400.)

On July 11th, it again wrote Ellwood that "We certainly have got to arrange with the Thorn Wire Hedge Co. * * * *We shall have a hard time with the Thorn Wire Hedge Co.*, NO DOUBT, and quite likely they will break up the whole arrangement." (R. 402.) In spite of this letter written, as Washburn says, "Just on the eve of his departure with Thurston to Chicago to close up the Haish purchase," and "arrange with" appellant, counsel will tell your Honors that appellant was urging this purchase. Washburn's statement on the trial is the only evidence, and these written declarations—a part of the *res gestae* show, on the contrary, that the greatest fear appellee then had was whether it could induce appellant to abate its royalty on Haish's own manufacture.

No correspondence passed between appellee and appellant relating to this purchase.

We have seen that appellee sent Coburn and Ellwood to urge Stiles to labor with the officers of appellant to abate its royalty on Haish's manufacture, and that they refused to do so until assured that the abatement of this royalty by appellee should not be extended to the royalty upon the sales of any other licensee.

(*d.*) Washburn says that the Haish settlement was actually consummated and the papers relating thereto signed before any paper had been signed by the Thorn Wire Hedge Co., either in relation to back damages or the Haish contract." (R. 475.) And that this paper was not signed until the day following the settlement with Haish. It was then presented and signed in the manner in which it was drawn by the appellee's counsel. Washburn says appellee consulted with and accepted, approved and acted upon the advice of their counsel in making this purchase. (R. 447.)

No witness of appellee states that this purchase was made at the instance or request of any officer of appellant. Besides acting upon

the advice of their counsel, it appears that these matters were brought up and fully considered by the board of directors of appellee (R. 397 letter June 2, 1881), and the purchase of the Haish patents determined upon by them. (R. 496.) And Ellwood testifies that he received from appellee a letter to that effect. (R. 691.)

Courts of equity look beyond the terms of an instrument to ascertain the real transaction.

Peugh v. *Davis*, 96 U. S., 336.

The statement in this release that appellant authorize and request appellee to make this purchase, is but the statement of appellee, made after the Haish purchase was in fact consummated, to carry out the representations made by it to appellant; and the Court should construe these words simply as the statement of appellee.

Stronghill v. *Buck*, 19 L. J. Q. B., 209. (A. S.)
Hays v. *Askew*, 5 Jones, (N. C.), 63.

If appellee made this purchase on account of the request and at the instance of appellant, would not some one of appellee's witnesses have so said? But, on the contrary, we have the testimony of Coburn, appellee's leading counsel in Chicago, who conducted the Haish purchase and who was familiar with its entire litigation from beginning to end, that this purchase was not made because appellant requested it, He says "The purchase of the Haish patents by Washburn & Moen Manufacturing Co. and the settlement with Haish in July 1881, *was not made* because Mr. Stiles of the Thorn Wire Hedge Co. desired to have it done." (R. 703.) We have already seen that Calkins was unwilling to abate appellant's royalty, and held out for several days and that it was only after the repeated assurances of Washburn, Ellwood, and Coburn, that the royalties of any other licensee should not be affected by this purchase, that he finally yielded to the request of appellee and signed the paper.

Stiles says, "Some one of the defendant's attorneys drew the two papers signed by defendant bearing date July 27, 1881, meaning and intending the papers in which the Thorn Wire Hedge Co. purported to release its claim for back damages, and the paper releasing their claims for royalties on account of the purchase of the Haish patent properties. * * *

"On its presentation for signature I think we signed it just as it was presented to us. And at the time of signing these papers I un-

derstood all those papers were to carry out the terms of the purchase of the Haish patent properties *as had been represented to me* by Mr. Coburn, Mr. Dodge or Mr. Washburn, or those representing" appellee. (R. 281.)

"We were not asked by the Washburn & Moen Manufacturing Co. or anybody representing them, to do anything more towards the payment of the Haish patent properties, than to abate the royalties coming to the Thorn Wire Hedge Co. on Haish's own manufacture." (R. 279.)

This is not contradicted, and this much the papers executed have accomplished.

Stiles testifies: "At the time of signing those papers I understood all those were to carry out the terms of the purchase of Haish's patent properties, as had been represented to me by Mr. Coburn, Mr. Dodge or Mr. Washburn." (R. 281.)

And appellant acted upon the representations then made by appellee that such purchase would not affect the royalty upon the product of any other licensee. Stiles says: "It is a fact, that I and other members of the Thorn Wire Hedge Co. relied upon the promise to us by the defendant that we would not be required to release our royalties upon the manufacture of any other licensee, excepting Haish, in our signing the agreement to release the royalties on Haish's manufacture *and I did so inform Mr. Washburn and others representing the defendant.*" (R. 280.) *This* is not denied.

Stiles and Calkins say all they knew of the Haish purchase was what was told them by some one representing the defendant. (R. 145, 280.)

Under these circumstances, can it be said that appellant could not act, relying upon these representations?

Appellee then knew that appellant acted upon the representations made by it as to the effect of paper signed by it. The Court should give the paper such construction if possible. (*Supra.* 35.)

Appellee should now be estopped from asserting that this release affected any other royalty.

When appellant executed the papers prepared and presented by appellee it did all it was asked to do. It had no right or power to dictate appellee's business subsequent to February 12, 1885. It simply carried out appellee's request. Appellee had full power to purchase what patents it desired. It purchased and paid for 250 other

patents relating to barb wire. In the purchase of none of these did it consult appellant.

Ellwood says: "I do not mean to be understood that the Washburn & Moen Manufacturing Co. and myself had not the power to purchase Mr. Jacob Haish's patent properties without the consent of the Thorn Wire Hedge Co." (R. 692.)

In making this purchase, appellee did not act upon this release, save only to the extent of the abatement by appellant of the royalty upon Haish's own manufacture. And appellant was not requested nor did it presume to decide the effect of such purchase upon the contract between appellee and any other person.

(*e.*) No representation was made by appellant as to any fact relating to the purchase of Haish's patents. Appellee represented to appellant these patents as very valuable, and as being needful to its futurebusiness after the expiration of appellant's patents.

It did not know the value of these patents, or the effect of such purchase, save as advised by appellee. Hence, it was not its duty to speak.

Bringard v. *Stellwagen*, 41 Mich., 54.

Mere silence on appellant's part was not sufficient to raise an estoppel against it as to its purchase.

Bigelow on Estoppel, 575, (4th Ed.)
Amer. Ency. Law, vol. 7, pp. 13, 33.

Says Mr. Justice STRONG in *Railroad* v. *Dubois*, 12 Wall., 59, "No principle is better settled than that a party is not estopped by his silence, unless it has misled another to his hurt."

See also *Ketchem* v. *Duncan*, 96 U. S., 659.

Says Mr. Justice FIELD in *Brandt* v. *Virginia Coal and Iron Co.* 93 U. S., 326: "It is difficult to see where the doctrine of equitable estoppel comes in here. For the application of that doctrine there must generally be some intended deception in the conduct or declarations of the party to be estopped, or such gross negligence on his part as to amount to constructive fraud, by which another has been misled to his injury. 'In all this class of cases,' says Story, 'the doctrine proceeds upon the ground of constructive fraud, or of gross negligence, which in effect implies fraud. And, therefore, when the circumstances of the case repel any such inference, although there may be some degree of negligence, yet courts of equity will not grant relief. It has been accordingly laid down by a

very learned judge that the cases on this subject go to this result only, that there must be positive fraud or concealment, or negligence so gross as to amount to constructive fraud.' (1 Story's Eq. 391.) To the same purport is the language of the adjudged cases. Thus it is said by the Supreme Court of Pennsylvania that 'the primary ground of the doctrine is, that it would be a fraud in a party to assert what his previous conduct had denied, when on the faith of that denial others have acted. The element of fraud is essential either in the intention of the party estopped, or in the effect of the evidence which he attempts to set up.'

Hill v. *Eppley*, 31 Penn. St. 334.
Henshaw v. *Bissell*, 18 Wall. 271.
Biddle Boggs v, *Merced Mining Company*, 14 Cal. 368.
Davis v. *Davis*, 26 id. 23.
Commonwealth v. *Moltz*, 10 Barr, (Pa.) 531.
Copeland v. *Copeland*, 28 Me., 539.
Delaplaine v. *Hitchcock*, 6 Hill, 616.
Hawes v. *Marchant*, 1 Curt. C. C., 136.
Zuchtmann v. *Robert*, 109 Mass., 53.

"And it would seem that to the enforcement of an estoppel of this character with respect to the title of property, such as will prevent a party from asserting his legal rights, and the effect of which will be to transfer the enjoyment of the property to another, the intention to deceive and mislead, or negligence so gross as to be culpable, should be clearly established.

"There are, undoubtedly, cases where a party may be concluded from asserting his original rights to property in consequence of his acts or conduct, in which the presence of fraud, actual or constructive, is wanting; as, where one of two innocent parties must suffer from the negligence of another, he through whose agency the negligence was occasioned will be held to bear the loss; and where one has received the fruits of transaction, he is not permitted to deny its validity whilst retaining its benefits. But such cases are generally referable to other principles than that of equitable estoppel, although the same result is produced; thus the first case here mentioned is the affixing of liability upon the party who from negligence indirectly occasioned the injury, and the second is the application of the doctrine of ratification or election. Be this as it may, the general ground of the application of the principle of equitable estoppel is as we have stated.

"It is also essential for its application with respect to the title of real property, that the party claiming to have been influenced by the conduct or declaration of another to his injury, was himself not only destitute of knowledge of the true state of the title, but also of any convenient and available means of acquiring such knowledge. Where

the condition of the title is known to both parties, or both have the same means of ascertaining the truth, there can be no estoppel. *Crest* v. *Jack*, 3 Watts, 240: *Knouff* v. *Thompson*, 4 Harr, 361."

This case was subsequently cited in *Hobbs* v. *McLean*, 117 U. S. 567 where Mr. Justice WOODS says: "An equitable estoppel is raised where there is some intended deception in the conduct or declaration of the party to be estopped, or such gross negligence on his part as to amount to constructive fraud, by which another has been misled to his injury."

So also:

Jewett v. *Miller*, 10 N. Y. 402.

Taylor v. *Ely*, 25 Conn., 250.

It was certainly not the duty of appellant, when asked by appellee to remit its royalty on manufacture, to do more than to signify either its willingness to do so, or to deny the request. Every fact relating to Haish's patents was known to appellee, examined and conned over by its experts and counsel. In executing this release appellant acted solely upon the representations of appellee.

The contracts between appellee and the parties from whom it had theretofore purchased patents, as well as its contracts with its licensees, were fully understood. It was after full deliberation and after appellee's counsel advised what to do, that as Washburn testifies, appellee "accepted, *adopted* and ACTED UPON" such advice of its counsel in making such purchase.

Says Bigelow in his work on Estoppel, Estoppel by conduct: "In its most common phase this estoppel is founded upon deceit, and has its justification in the duty of the courts to prevent the accomplishment of fraud. The estoppel in question consists in holding for truth, a representation acted upon, when the person who made it or his privies, seek to deny its truth and to deprive the party who has acted upon it of the benefit obtained. The origin of the estoppel is probably to be found in the doctrine of equity, that if a representation be made to another who deals upon the faith of it, the former must make the representation good if he knew or was bound to know it to be false." 543, (4th Edition).

To work such an estoppel, there must be made a material statement of fact. Ibid. 554.

Haish was no more to appellant than any other licensee. Appellant was not cognizant of the value of Haish's patents, or the object of purchasing save as informed by appellee. (R. 106, 145, 280.) Appellee's own counsel drew the papers to consum-

mate the purchase. (R. 280.476.) Neither Stiles or Calkins had anything personally to do with the settlement consummated with Haish. (R. 242.280.476.) Calkins says, all the information he had as to the Haish purchase was what appellee represented. (R. 106, 145.)

Stiles says he never saw Haish's option. (R. 255, 265.) He says he did not even know that Haish then owned the Stevens' machine patents, (R. 248) and "I never got the full details of that settlement with Haish." (R. 245.)

How can an estoppel be raised against appellant when it did not know the facts and when appellee refused to impart full information?

Representation to constitute an estoppel must have reference to a present or past state of facts. Bigelow on Estop., 555.

No representation was made by appellant as to any fact relating to the purchase of Haish's patents. Appellee represented to appellant these patents as valuable, as being needful to appellee's future business after the expiration of appellant's patents. We are not attacking appellee's purchase of Haish's patent properties. Appellee believed it was getting a good purchase; it so represented to appellant; it got all it bargained for from Haish; it is enjoying the full benefit of the Haish inventions to-day; it will continue to enjoy, until 1899, the Stevens' inventions, which Washburn testified were worth as much if not more than all of Haish's other patents. (R. 478.)

Appellant must have done some act which induced appellee to change its opinion.

Jones v. *United States*, 96 U. S., 29.

This certainly is not shown in the record. The only act appellant did was to waive what before such waiver it would have been entitled to receive, and that it is not seeking to recover. On the contrary, *appellant changed its conditions by reason of representations made by appellee* that it was such a purchase appellee had a right to make; was valid and was intended to be and was a release of appellant's claim on Haish's own individual manufacture, and not a release of its claim to royalty upon the manufacture of any other licensee. And appellant relied on such representations of appellee. (R. 280.) This was a material statement of a fact relied upon by appellant, and to permit appellee now to claim that appellant is estopped, by the effect of such purchase on appellee's business, would permit appellee to speculate upon an undertaking which appellee guaranteed appellant

should not cost it to exceed the surrender of $10,000. in royalties in any one year, and then upon this venture proving unprofitable to appellee, to hold appellant responsible for all losses. Such an act is unconscionable.

Appellee knew that but for such representations made to appellant, it would not have executed the paper drawn by appellee and presented for its signature. Appellee is estopped from saying that its representations made to appellant are not true.

(*f.*) Appellee's counsel will tell you, that in buying the Haish patents it was acting as agent of appellant, and will doubtless cite authorities to the effect, that where an agent acts in good faith and loses results thereby, the agent is not responsible for such loss. The case at bar does not come within this rule. Appellee was under no greater obligation, legal or moral, to buy Haish's patents for or on account of appellant than it was to buy any of the 250 other letters patent relating to barb wire. Appellee bought all these patents for its own personal interest, and to enable it to continue the barb wire business for the *nine* years of its contract after the term of appellant's contract had expired.

If, by its own deliberate acts, it became more burdensome on appellee to carry out the terms of its contract, that is not a sufficient reason why appellant should not be granted the relief to which it is entitled.

Marble Co. v. *Ripley*, 10 Wall., 356.

Appellee could have drawn its papers with Haish so as not to affect its obligations with appellant, if what appellee represented to appellant was true, that it was buying such patents.

Stiles testifies, that he supposed at the time these papers were drawn that some one of appellee's numerous counsel would draw their contract so as not to affect its covenants with appellant. (R. 273.)

V.

Appellee's counsel will argue, that the contract between appellee and Haish, of date July 27th. for the purchase of Haish's patents, is a suspicious circumstance, and one that involves knowledge on appellant's part of some secret arrangement between it and Haish

which would affect the covenant of appellee with its other licensees.

Appellee does not claim that it called appellant's attention to the fact that this contract might have such effect. If appellee had any such thought, then good faith demanded that it should have called appellant's attention to the circumstance, if it expected appellant to release, or be affected as to any royalty upon the manufacture of any person other than Haish. There was nothing secret in the purchase of Haish's patents. Calkins testifies that Washburn said that the terms of such purchase would be made known to each licensee. (R. 156, 157.) The terms of purchase were made known to and signed by all appellee's licensees, excepting three. C. G. Washburn testifies that he did not think the Haish purchase would affect the licensees until after Judge Gardner's decision, (R. 353.) and on October 11, 1882, after that decision was announced, Washburn wrote that this decision "should have no effect upon our licensees." (R. 526.)

The contract of purchase, as executed, was substantially what appellee represented it would be before the purchase was made. The contract of payment for the purchase, drawn up by appellee's counsel, although verbose, is nothing more than carrying out the sixth section of Haish's proposition.

Appellee avers in its answer in the Ohio case, filed November 14, 1884, just three months before appellant's contract terminated, (and three years after the decision in the Chicago Gal. W. F. Co. suit) that there is no other or different contract between (appellee) and Ellwood and Haish, than is set forth in the papers of July 26. 1881. (R. 711.)

There is nothing unusual in the feature of appellee covenanting to pay a royalty on its own product for the purchase of the Haish patents. It admits that its tonnage in 1881 of 15,000 tons infringed the Stevens inventions. It covenanted to pay royalty on only 8,000 tons.

The first paper in evidence in this case recites that in the purchase by appellee from appellant, licenses thereunder "shall be made back," and that a "contract shall be made back" from appellee to appellant, providing for the payment of appellant's letters patent. (R. 174.) A license was issued to appellant and the contract made back by appellee, is the first paper set out in the bill of complaint.

In the case at bar appellee also issued a license to Haish and gave a contract back to pay for Haish's patents at a fixed rate of royalty.

The purchase price paid by appellant for all the other bottom patents bought by it, namely: the Kelly, Glidden, Hunt, Smith and Kennedy barb wire patent, and also the Putnam machine patents was made by the payment of royalty in the same manner, and determined entirely by the future amount of wire manufactured and sold. The royalty to be paid appellant, Glidden and Putnam was upon *all* wire manufactured and sold. The royalty to be paid for the purchase of one-half interest of the Hunt, Smith, and Kennedy letters patent was upon all wire manufactured and sold by appellee and its licensees, up to an agreed amount of money, that is, the royalty to cease when $100,000. had been paid. (R. 459.) In case of the purchase of the Putnam machine patents, appellee was at liberty to cease the payment of royalty upon paying a fixed amount of money, viz: $150,000. including what had already been paid. (R. 483.) In case of the purchase of the Scutt patent by appellee the royalty to be paid was limited to the amount of wire manufactured by appellee alone. (R. 492.) The royalty to be paid Haish was limited to the royalty upon 8,000 tons manufactured by appellee, Ellwood, and their licensees, in any one year. The manner of paying for all such bottom patents is substantially the same, varying solely as to the *quantum* of the purchase price and rate of royalty agreed to be paid. That appellee bound itself to manufacture 8,000 tons of wire in any one year, on which it would pay royalty, was nothing to excite suspicion. Appellee and Ellwood alone (independent of their licensees) manufactured and sold 15,000 tons per year in 1881.

They were thus making nearly double the amount of wire on which they covenanted to pay Haish a royalty. They expected that their own output would increase, and it did increase—it more than doubled. The reports in evidence show that appellee and Ellwood alone manufactured and sold during the year 1884, about 40,000 tons. The contract was one which could easily be carried out by them. There was nothing unusual in its terms. There was nothing to put appellant upon any inquiry that appellee was doing any act which it should not, especially when it represented to appellant that it was an act for appellee's benefit, and one which it could properly carry out.

And from the time this contract was made appellant had every reason to believe that appellee was carrying out the contract as appellee represented it would before making it.

Washburn testifies, "Haish made reports on the barb wire manufactured and sold by him, the same as our other licensees. The royalty upon such wire was paid by him in the same manner as by our other licensees, up to April 1, 1884." (R. 356.)

Haish's name appears among its licensees in the regular monthly (R. 1158 to 1172) and quarterly reports (R. 1212 to 1233) rendered by appellee. During the first year Haish reported to appellee as having manufactured and sold 441.218 lbs. in excess of the first 4,000 of his 10,000 tonnage. The excess ever his first 4,000 tonnage in the second year was 640,032 lbs. (R. 348.)

In making such reports appellant believed that appellee was carrying out the contract as it represented to appellant.

VI.

But counsel will tell your Honors that appellant submitted this paper to Mr. Trumbull, asked his opinion as to its effect upon appellee's licenses, and acted upon such advice. This is not true. Mr. Trumbull gave no opinion and was not consulted. There is not one scintilla of evidence to support such statement. The only evidence in the case is what is brought out by appellee's counsel on cross-examination of Stiles, J. W. Calkins and Gary Calkins.

J. W. Calkins says:

"When they came to execute the papers which refer to the back damages, I think we told Mr. Trumbull that we had agreed to release Jacob Haish as far as his 4,000 tons was concerned. I do not think we showed him the paper which we had signed, which related exclusively to the Haish settlement." (R. 163.) "The matter of the effect of the Haish settlement, in regard to affecting future royalty was not discussed with Lyman Trumbull at all." (R. 172.)

Stiles says:

"I don't recollect about Judge Trumbull having anything to do with the question of the settlement with Haish. It seems to me as though that all came up after we had agreed on the settlement for back damages." (R. 271.) "We did not consult either Mr. Lyman Trumbull, L. L. Coburn, or any other attorney, as to the effect of the said release upon any contract we had with the defendant so far as relates to any license executed between the defendant and any of defendant's licensees." (R. 281.)

Gary Calkins says he knows nothing about it. (R. 321, 323.)

Washburn and Ellwood, in testifying, give the names of all counsel who were consulted with reference to the Haish settlement. They gave the names of Thurston, Coburn, Dodge, Dewey, and Offield, who were appellee's counsel. Coburn, who sought Stiles, and stated as an inducement to appellant for the execution of such release, that it would not be required to release (surrender) more royalty than the royalty upon Haish's individual manufacture, and they had a right to rely on Coburn's statement. There was no occasion to consult Trumbull. The object of Trumbull's employ ceased, when the agreemeet as to the alleged back damage settlement was made.

VII.

The Chicago Galvanized Wire Fence Co.'s Suit.

(*a.*) Appellee seeks to build up an estoppel against the covenants of appellant's contract by reason of the suit of the Chicago Galvanized Wire Fence Co. against appellee. Appellant was no party to that suit. Appellant was not notified by appellee to appear; to furnish testimony; to procure counsel; to contribute towards the expenses attending the suit, nor in any manner to participate in said suit; no claim was ever made by appellee, prior to its filing the cross-bill in this suit, that appellant was bound by the decision rendered in that case. If estopped by litigation appellee should in some manner have notified appellant to aid in the defense of that suit, and given it an opportunity to cross-examine the witnesses, defend the suit, and appeal if it so desired. It shonld have vouched in appellant, or had it made a party by proper proceedings in that suit. It did not do so.

It is true Calkins was called as a witness by the Chicago Galvanized Wire Fence Co. to prove the fact that the release signed by appellant was executed after the settlement with Haish had been closed. When Calkins testified in that suit he simply narrated what C. F. Washburn had told him in relation to the Haish settlement. (R103) From the fact that appellee did not notify appellant to appear, furnish testimony, to procure counsel, to contribute towards the expenses of such suit, or to make it a party thereto by proper proceedings, it is fair to presume that appellee did not consider appellant a party to or to be effected by such Haish purchase. Charles G. Washburn testi-

fies that "it was not until * * * a decision in the (Chicago Galvanized Wire Fence Co.'s) case reached us that we did think that any of our licensees' contracts would be in any way affected by the Haish settlement." (R. 353.)

If appellee had considered appellant privy to the Haish purchase would it not have set up the defense in that suit that appellant was a necessary party thereto?

A case in point is a suit which the Ohio Steel Barb Fence Co. instituted in October, 1883, against appellee, Isaac L. Ellwood, Joseph Glidden and appellant.

This suit was instituted in the State Court. Appellee filed a petition to remove said cause from the State Court to the United States Circuit Court. In such petition appellee and Ellwood stated as a ground for removing such cause to the Federal Court that suit "can be fully determined as between them (the Ohio Steel Barb Fence Co. appellee and Ellwood) without the presence of the other defendants, (Joseph F. Glidden *and the Thorn Wire Hedge Co.*), as parties in said cause." (R. 312.) In that suit appellee and Ellwood aver in their answer that "The said Joseph F. Glidden *and said Thorn Wire Hedge Co.* named as defendants in the bill of complaint *are not necessary* or *proper* parties to the suit." (R. 705.) After denying that appellant was a proper party, which answer is signed by the Vice President of appellee, and under its corporate seal, it avers, "and these defendants further answering say, that the defendants, *the Thorn Wire Hedge Company* and Joseph F. Glidden, *have no interest in the license from Washburn & Moen Manufacturing Co. to the complainant.*" (R. 711.)

What better evidence can there be that appellee deemed appellant a stranger to these licensees?

Why did appellee deliberately take away from appellant, when a party in that suit, the right to appear and defend such litigation, if it considered appellant to be bound thereby?

If it was the intention of appellee to call upon appellant to reimburse it, in whole or in part, by reason of matters growing out of the Haish purchase, involved in those suits, or to estop appellant thereby, then appellant was a proper and *necessary party*, or appellant should not be bound by the result of such suit.

Appellee is seeking to recover under its cross-bill $8,000, which it claims to have paid back to this one company alone. (R. 371.)

It is well settled that where a person is neither a party to a suit or is not notified to appear, and permitted to cross-examine, appeal, or sue out a writ of error in a suit, he is not bound.

Brooklyn Etc. R. R. Co. v. *Nat'l Bank of the Republic*, 102 U. S., 14.
Hale v. *Finch*, 104 U. S., 261.
Bigelow on Estoppel, (4th Ed.) 124.

The fact that Calkins was a witness in the Galvanized Wire Fence Co. suit was not sufficient notice to appellant.

Parker v. *Moore*, 59 N. H.. 454.
Lebaneon v. *Mead*, 64 N. H., 8.
Blackwood v. *Brown*, 32 Mich., 104.
Bigelow on Estoppel, (4th Ed.) 128.

The rule is thus stated in *Daniels* Ch. Pr., Vol. 1, p. 281:

"We now come to the consideration of those cases in which it is necessary to make persons defendants to a suit, not because their rights may be directly affected by the decree, if obtained, but because, in the event of the plaintiff succeeding in his object against the principal defendant, that defendant will thereby acquire a right to call upon him, either to reimburse him the whole or part of the plaintiff's demand, or to do some act towards reinstating the defendant in the situation he would have been in, but for the success of the plaintiff's claim. In such cases the Court, in order to avoid a multiplicity of suits, requires that the parties so consequentially liable to be affected by the decree, *shall be before the court in the first instance, in order that their liabilities may be adjudicated upon, and settled by one proceeding.*"

(*b*) There is another element in the Chicago Galvanized Wire Fence suit as to which appellant is an utter stranger. The bill avers that

"It was further distinctly agreed in said settlement, in this behalf, and as one of the conditions in making the same, that any settlement that should be made with any other defendant, or with any other parties engaged in the business of manufacturing barbed fence wire against whom suits had not been up to that time instituted, should be made upon the same basis, namely, that the said Washburn and Moen Manufacturing Company should obtain from such defendant, or from such party, a surrender of any patents held by such party, or such defendant, and should exact and require damages for past infringements at the same rates as provided in the contract of settlement as hereinabove stated, the express purpose being to provide

and require that settlements with all parties claimed to be infringers. should be upon precisely the same terms and conditions." (R. 723.)

And after setting out the purchase of the Haish patents, avers:

"Complainant further shows that about the date last aforesaid. the said Washburn and Moen Manufacturing Company in fact made a settlement with said Jacob Haish, under the terms of which settlement complainant is informed and believes, and so charges the fact to be, that said Washburn and Moen Manufacturing Company gave to said Jacob Haish in fact very much more favorable terms of settlement, both as to the matter of past infringements, and as to the matter of royalty upon future manufacture and sales, than were acceded to complainant, in utter disregard and violation of the said agreement made by said defendant with complainant as aforesaid." (R. 725, 726.)

This matter of verbal promises outside the license thus made was a distinct issue in that suit. (R. 747.) No claim is made that appellant was a party to such verbal contract. Appellant took no part in the settlement with any licensee in January or February, 1881. If appellee made any oral promises with that company, before it can hold appellant responsible for the results, it must first have informed appellant what such promises are that it might act intelligently therein. Appellee did not notify appellant of the contract which the court in that case found was a verbal contract made between appellee and that company, and appellant is not bound by any issue in that suit upon such verbal promises of appellee made to the Chicago Galvanized Wire Fence Co., as it was not a party to or authorize any such promises.

Greenleaf on Evidence, § 532.
Cromwell v. *County of Sac*, 94 U. S., 351.

Even if appellant had interested itself and paid part of the expenses of such suit, the result would not have been binding upon it.

The interest of appellant and appellee therein were entirely distinct and separate.

Litchfield v. *Goodnow*, 123 U. S., 549.

Appellant's interest in the Haish purchase are governed entirely by its covenants of date July 27, 1881.

(*c*) Appellant objected to the introduction of the record and proceedings of that suit in evidence.*

For the reasons thus set out, appellant submits that such proceedings are not properly in evidence, nor are they binding on appellant, nor do they effect any issue in this case.

VIII.

Amendment of June 12, 1883.

(*a*) Appellee offered in evidence much testimony which it claims tends to show that by reason of an amendment of appellee's licenses, dated May 1st, 1883, whereby in consideration of the reduction of royalty from appellee to any licensee to 30c. per 100 pounds, such licensee was required to again release all claims by reason of the Haish settlement, that appellant again ratified the action of appellee in making such purchase of the patent, and is bound by the result of such purchase, and also, seeks to make appellant liable for the individual acts of Stiles and Calkins in relation thereto.

This amendment to appellee's licenses bears date May 1st, 1883. The amendment to appellant's contract bears date June 12, 1883. All contracts between appellee and appellant are in evidence. (R. 159, 469.)

We can not see how this paper can effect such contract. No issue was made in the pleadings, and appellant was not asked to execute or give its assent to any such paper. If it was appellee's intention to affect appellant in any such manner by such amended license, appellee would have inserted in the modification of its con-

* "Solicitor for complainant objects to the introduction of each and every of the said papers now offered in evidence by solicitor for defendant, for the following reasons: *First*, that the said suit was a suit wherein The Chicago Galvanized Wire Fence Company was complainant, and the Washburn & Moen Manufacturing Company the sole defendant, the complainant in this cause being no party thereto. *Second*, that the complainant was not asked, notified or requested by the defendant to appear, interplead or defend the said suit. *Third*, that the decision in that case was rendered upon the construction of contracts entered into by defendant of its own volition, upon full advice, and after deliberate consultation with its own counsel, and to which the complainant was in no way a party or interested therein. *Fourth*, that said papers now offered in evidence, if competent, are only a part of the said proceedings and are not binding on the complainant; but complainant here expressly states, that it makes no objection on the ground that the original bill of complaint is not included among said papers. *Fifth*, that the said papers now offered in evidence are incompetent testimony, irrelevant, and not material to any of the issues in this case." (R. 720.)

tract with appellant of June 12, 1883 (made six weeks after such license was amended), some reference thereto signed by appellant and appellee. There is no reference to the Haish purchase in such modification. No claim is made by appellee that the paper bearing date July 27, 1881, relating to the Haish purchase, in any way modified or affected the original contract between the parties of date July 3, 1876, and the subsequent amendments of December 2, 1878, August 7, 1879, and June 12, 1883.

The decision in the Chicago Galvanized Wire Fence Co.'s case had been decided by Judge Gardner, in October, 1882. This certainly was the time to fix this matter, in case appellee thought appellant affected by it.

Why the absence of some reference to the Haish purchase in this modification of June 12, 1883, if it was the intention of appellee to claim that such purchase did affect appellant's royalty upon the product of licensees other than Haish?

Washburn wrote appellant in 1879, when asking for a further reduction from appellant, "When we have wanted anything we have asked for it." (R. 558.) All appellee wanted of appellant, in the contract of June 12, 1883, was an abatement of royalty from 15c. to 5c.; that was all appellee asked; that was what appellant granted. No more was asked of appellant.

In the answer of appellee in this case it is recited: "That the said agreement so supplemented and modified (as modified by the supplemental agreement of August 7, 1879) remained in force between the parties thereto, substantially as therein provided, until on or about June 12, 1883, at which time there was a further modification of the agreement between them, as set forth in a writing of that date, duly executed between the parties."

It is not claimed that appellant dictated the terms of the amended license of May 1st. Appellee alone had it in its power to dictate the terms on which it would abate royalty to its licensees.

It is true Washburn says Stiles advised appellee to fix this matter in a new arrangement with its licensees, so that it would give appellee no more trouble. (R. 451.) There is no evidence, however, that appellee made such amendment to its license by reason of the action of Stiles. When this modification of license (May 1, 1883) is examined it shows that there is no waiver of royalty or of any right by

appellee therein. Every licensee who signed such abatement of royalty was bound by it and it relieved appellee of just that much possible litigation. There is nothing in such paper that appellee would not have made whether or not Stiles had advised it.

We have already shown that the immediate occasion of this modification of June 12, 1883, was the decision of Judge Treat in the 8th Circuit (*Supra.* 166). The Haish matter had nothing whatever to do with it. Stiles says the Haish matter had then been about fixed up. (R. 268.)

(*b*) Appellee's counsel will further argue, that Stiles and Calkins at various times advised appellee to settle with certain licensees relative to the Haish settlement. The strongest testimony in evidence is the testimony of Ellwood who says, "Stiles did say that the suit of the Chicago Galvanized Wire Fence Co. ought to be settled," but Ellwood says Stiles gave as a reason for such advice, not that there was any merit in the claim of that company, but that "In a general way he said that anything of the kind kept up an excitement among the licensees, and *as long as there was litigation there was more or less demoralization in prices* and the general welfare of the business. I don't remember that he ever made a statement to me that the licensees would make the same claim as that made by the Chicago Galvanized Wire Fence Co." (R. 690.)

But appellee did not act on his advice.

Appellee's counsel have also offered in evidence the action of Stiles in reference to the purchase of the stock of the Chicago Galvanized Wire Fence Co., pending its litigation. The only connection, if any, of appellant with that arrangement was, the fact that Stiles was one of four separate licensees or persons, members of the Manufacturers' Association, to whom Washburn advanced the money to buy the stock. Washburn fully understood that this was a personal arrangement. It was all talked over with him and Stiles at Worcester. (R. 257.) Appellant had nothing to do with and was no party to such transaction. (R. 126, 256, 257, 273.) This matter can not, in any view of the case, affect any issue involved.

IX.

While not in its regular order we think it germane at this place to discuss

APPELLEE'S CROSS BILL

as it is based principally upon the purchase of Haish's patents.

Appellee's third error. (R. 78.)

(1) Appellee seeks to recover, by cross-bill, from appellant money claimed it paid to certain of its licensees, and which now it says it was compelled to pay by reason of obligations arising out of its pur chase of the Haish patents.

We have already shown that such purchase was appellee's own act, made of its own volition, after mature deliberation by its counsel, officers *and directors*, and was not made by reason of any act on the part of appellant, or any of its officers; that it made such purchase for its own protection, on account of its infringing the Stevens' inventions, and for the purpose of controlling the entire barb wire business after the expiration of the Kelly patents, and during the remainder of the term of its license; that appellant was asked to and did release or surrender its royalty upon the individual product of Jacob Haish alone, and upon the product of no other licensee; that every licensee to whom appellee paid back money on account of the Haish purchase had given appellee a valid release of all claims arising out of such purchase; that appellee represented to appellant, that such purchase was a *bona fide* purchase which it could lawfully make, and that appellant relied upon such representations then made to it by appellee; that appellant released to appellee, as part of and in the same transaction, claims to upwards of $45,000. for damages theretofore committed by Haish.

What we said in reference to the purchase of the Haish patent properties, and to which we refer, is applicable in answer to this cross-bill.

Appellee procured from appellant all that Washburn said, in his letters to Ellwood, he desired of appellant; all that appellee represented to appellant through Thurston, Offield, Dodge, Coburn,

Washburn and Ellwood was desired, or expected from it. All this is covered by the papers then executed.

All money sought to be recovered in the cross-bill was paid without notice to, consultation with, or knowledge on the part of appellant, that the same would be paid, and without request made on appellant that it would be called upon to refund the same or any part thereof. Appellee knew, in detail, perfectly, the nature of every contract it had with every person from whom it received royalty. Mr. Dodge appears as counsel for appellee in the first contract in evidence. He drew every contract in evidence, at the instance of appellee. Before appellee instructed Ellwood to take Haish in hand, he, with Thurston, was called in at the meeting of the directors of appellee, and the nature and effect of such Haish purchase was deliberated upon, and appellee's course then and there determined upon. Appellee acted thereon, and made such purchase under the advice of its own counsel. After such purchase appellee put its construction, as to the effect of the Haish purchase upon its contracts with appellant, in voluntarily paying over such royalty money, month by month, to appellant. Such payments continued to be so paid, after the date of the filing of the bill by the Chicago Galvanized Wire Fence Co. (in September, 1881), and after the decision in that case in October, 1882, and then, continuously, up to the time of the filing its cross-bill in this cause, in July, 1889, without ever once intimating that appellant was a party to or privy in the Haish purchase. The only ground ever asserted by appellee for the recovery of this money was, that if such money had not been collected, then under the contract appellee would not have been liable to pay the same to appellant (R. 191), a ground entire separate and distinct from the Haish purchase.

The same consideration and arguments that would make appellant liable to refund the royalties repaid by appellee to the licensees to whom it says it did repay money, *would make appellant liable for one-fifth of all royalties not collected by appellee, on account of the Haish purchase*, arising prior to, *as well as after*, the expiration of appellant's contract with appellee. Appellee asserts no such proposition.

Appellee paid this royalty to appellant with full knowledge of every fact.

"It appears from the authorities to be established in equity as well

as at law that money paid under a mistake of law with full knowledge of the facts is not recoverable." Kerr on Fraud and Mistake. 401.

"It is settled at law, and the rule has been followed in equity, that money paid under a mistake of law with respect to the liability to make payment, but with full knowledge, or with means of obtaining knowledge, of all the circumstances, cannot be recovered back." Pomeroy's Eq. Jur., Sec. 851.

"It may be safely affirmed, upon the highest authority, as a well-established doctrine, that a mere naked mistake of law, unattended with any such special circumstances as have been above suggested, will furnish no ground for the interposition of a court of equity; and the present disposition of courts of equity is to narrow, rather than to enlarge the operation of exceptions." The rule "is relaxed in cases where there is a total ignorance of title, founded in the mistake of a plain and settled principle of law, and in cases of imposition, misrepresentation, undue influence, misplaced confidence, and surprise." Story's Eq. Jur., § 138.

Numerous cases could be cited to support the doctrine of the text books. A case in which many decisions are collected and commented upon is *Clarke* v. *Dutcher*, 9 Cowen, 674.

It is not claimed that the case at bar comes within any of the recognized *exceptions* to the rule.

In *Elliott* v. *Swartwout*, 10 Pet., 153, money had been paid to a collector of customs under a mistake as to the duty to be paid under the act of Congress, and no objection was made at the time of such payments, Mr. Justice THOMPSON says: "The manner in which the question is here put, presents the case of a purely voluntary payment, without objection or notice not to pay over the money, or any declaration made to the collector of an intention to prosecute him to recover back the money. It is therefore to be considered as a voluntary payment, by mutual mistake of law; * * * *The construction is open to both parties, and each presumed to know it.*"

In the *Bank of the United States* v. *Daniel*, 12 Pet., 32, a bill was filed to compel the return of money paid under a mistake of law, Mr. Justice CATRON says: "The main question on which relief was sought by the bill, that on which the decree below proceeded, and on which the appellees relied in this court for its affirmance, is: can a court of chancery relieve against a mistake of law? In its examination, we will take it for granted, the parties who took up the bill for ten thousand dollars, including the damages of a thousand dollars in the eight thousand dollar note, and did so believing the statute of Kentucky secured the penalty to the bank; and that, in the construction of the statute, the appellees were mistaken.

"Vexed as the question formally was, and delicate as it now is,

from the confusion in which numerous and conflicting decisions have involved it, no discussion of cases can be gone into without hazarding the introduction of exceptions that will be likely to sap the direct principle we intend to apply; indeed, the remedial power claimed by courts of chancery to relieve against mistakes of law, is a doctrine rather grounded upon exceptions than upon established rules. To this course of adjudication we are unwilling to yield. That mere mistakes of law are not remediable, is well established, as was declared by this court in *Hunt* v. *Rousmanier*, (1 Peter's, 15:), and we can only repeat what was there said, 'that whatever exceptions there may be to the rule, they will be found few in number, and to have something peculiar in their character,' and to involve other elements of decision. (1 Story's Ch. 129)"

Milwaukee and Minnesota Railroad Co. v. *Soutter*, 13 Wall., 517, *is on all fours* with the case at bar. The bondholders under a second mortgage from the LaCrosse and Milwaukee Railroad Company in 1858, bought in the railroad at a sale made by Barnes the trustee in such second mortgage, and organized themselves as a new corporation by the name of the Milwaukee & Minnesota Railroad Company.

Subsequently the first mortgage was foreclosed by proceedings in court, and the decree entered therein authorized the Milwaukee & Minnesota Railroad Company to redeem upon the payment into court of about $450,000., the amount found due under the first mortgage. This was done. Prior to the time of this payment, certain judgment creditors had filed a bill to set aside the sale by Barnes as fraudulent. Such suit was pending when such money was paid into court. Subsequently the relief asked for by judgment creditors was granted. Thereafter the Milwaukee & Minnesota railroad filed its bill to secure a recovery of this money so paid by it into court on the ground that the plaintiff paid the money under a mistake of fact and before discovery that the foreclosure of the Barnes mortgage was fraudulent and void as to the creditors of the La Crosse and Milwaukee railroad, and asked to be subrogated to the rights of the judgment creditors.

Mr. Justice BRADLEY says: "But the complainants are wrong in asserting that the property was not theirs. It was theirs. Their purchase was declared void only as against the creditors of the La Crosse & Milwaukee Railroad Company. In other words, it was only voidable, not absolutely void. By satisfying these creditors they could have kept the property, and their title would have been good, as against all the world. The property was theirs; but, by reason of the fraudulent sale, was subject to the incumbrance of the debts of

the La Crosse Company. This was the legal effect of the decree declaring their title void. Therefore, they were, in fact, paying off an incumbrance on their own property when they paid into court the money which they are now seeking to recover back.

"They are wrong also in asserting that they made the payment under a mistake of fact. If it was made under any mistake at all, it was clearly a mistake of law. *They mistook the legal effect of transactions of which they were chargeable with notice. They were the persons for whose benefit the purchase was made, which was declared to be fraudulent.* They were this principal defendants in the creditor's bill, upon which this decree was rendered. All the evidence in that suit had been taken when they made the payment in question. The cause was pending, on appeal, in this court. There was not a fact, therefore, of which they were ignorant. *They had full and actual notice of all the transactions, and all the evidence on which the decree was ultimately founded.*"

As there, so in the case at bar, as between Haish and appellee, such contract was and is good. This contract *has never been rescinded.* Appellee has enjoyed the full fruits of such purchase. At the time when appellee paid the money back to the Crandal Manufacturing Co., the Galvanized Wire Fence Co.'s case had already been decided in the Superior Court of Cook county, as well as in the Appellate Court of Illinois. When it paid the money to the other of its licensees, the opinion had been rendered in the Illinois Supreme Court. As the court say: "There was not a fact, therefore, of which they were ignorant. *They had full and actual notice of all the transactions, and all the evidence on which the decree was ultimately founded.*"

Appellee knew these same facts when it made the purchase of Haish's patents. It claims no new facts or surprise as to any fact which was developed on the trial. It *cannot* consistently claim fraud on its own part. Inasmuch as appellee was not ignorant of a single fact in reference to its purchase of Haish's patents, and with this full information it continued to pay appellant on its contract, the royalty due by the terms thereof, this money was paid under a mistake of law *as to the effect of such facts*, and should not be recovered.

The money paid for royalty upon the sales of the Chicago Galvanized Wire Fence Co. and the Crandal Manufacturing Co., prior to their ceasing to pay royalty, under their licenses of 1881, was paid under the terms of appellant's contract, with full knowledge of all

facts relating to such Haish purchase, and claims made thereto by these licensees.

Almost immediately after appellee's purchase of the Haish patents, at the first remittance of royalty thereafter, in September, 1881, the Chicago Galvanized Wire Fence Co. and the Crandal Manufacturing Co. made protest to appellee upon paying their royalties. They paid the royalty thereafter under such protest, upon the ground that appellee was not entitled to exact any royalty by reason of its purchase of the Haish patents, and then gave appellee notice that they would sue to recover back the royalties so paid. (R. 192.)

When appellee paid the royalty on the sales of these two companies, it did so with full knowledge on the part of appellee, as early as September, 1881, within *two* months after the Haish purchase, that these two companies claimed appellee was not entitled to such money. Even admitting, for the sake of argument, that appellant had received money to which it was not equitably entitled, ought not appellee when paying this money to appellant to have notified it, that such claim was made to this money by those two companies, and if they should succeed in recovering this money in suit from appellee, appellee would look to appellant to refund the same. It did not do so. It did not even inform appellant of the fact that payment was made under protest.

On November 7, 1884, in response to letter of appellant, appellee sent a statement of the condition of the accounts of the licensees. (R. 216, Ex. 58, B.) In this, it says, the royalty due from the Ohio Steel Barb Fence Co. for "May and June, 1883, paid under protest."*

Appellant answered: "I do not see that it waives our rights if a party should under protest, pay, which they all might do, and which, I presume, all have done mentally." (R. 192, Ex. 34.) In August, 1886, *after appellee had made settlement* with the Ohio Steel Barb Fence Co., it voluntarily paid appellant the royalty due it for the months of May and June, 1884. It collected $338.55 in July, 1883, and paid it to appellant in August, 1886. (R. 619.) Why did it not withhold this money if lawfully entitled to it? When appellee made

*There was $27,832.25 royalty, money paid under *protest* by licensees, to appellee. (R. 891.)

settlement with the Ohio Steel Barb Fence Co., instead of then insisting or stating that appellant was liable to, or, in duty bound to repay any part of the money paid by appellee to this company, appellee remitted this royalty actually collected, and this, too, without request by appellant. Does not this act, alone, disprove any claim by appellee that it expected to be reimbursed for any money paid back to any licensee?

So, too, the money paid by appellee to other companies in settlement of the Haish controversy, namely: The Ohio Steel Barb Wire Co.; The Iowa Steel Barb Fence Co.; The Cincinnati Barb Wire Fence Co.; The Lock Stitch Fence Co., W. J. Adam, and Fish & Connell, was paid by appellee to these companies *voluntarily*, after appellant had denied that it was liable to refund any such money. From each of these licensees appellee had obtained releases, which appellee, under its corporate seal, had, after the decision in the Chicago Galvanized suit in 1884, declared to be binding on each of such licensees. Such money so paid by appellee to these licensees was, therefore, a *voluntary* payment. Appellee can lay no claim against appellant for money thus voluntarily paid by it.

All money sought to be recovered under the cross-bill, by reason of the Haish purchase (excepting $123.15 paid by the Ohio Steel Barb Fence Co.), was for royalty which accrued prior to the amendment of June 12, 1883. This amendment was eight months after the decision adverse to appellee in the Chicago Galvanized Wire Fence Co. case. When appellee came to draw this amendment to the contract no exception was made to royalty on wire theretofore paid. No provision was made for repayment of any royalty; no claim was made therefor. If appellee had any intention, or if by any manner of means its able counsel thought that it had any claim against appellant for royalty theretofore paid, would they not have then made some provision therefor, and inserted the same in this amendment of June 12, 1883? Not only no claim was made against appellant, but in the contract then modified, appellee became "*obligated* and bound to pay (the) fixed royalty on each 100 lbs. of barb wire," thereafter manufactured; making the royalty thus fixed and definite, so that there could be no possible ground of contention in regard to royalty theretofore or thereafter to be paid by appellee to appellant.

(2.) Appellant sets up in answer to the cross-bill, and as defense thereto, most of the matters which were set out in its original bill of complaint.

We have shown that there was legally and equitably due appellant, at the time it signed its release as to Haish royalties, for money which had accrued prior to that time, and which appellee claims was covered by its release of July 27, 1881, upwards of $180,000. on account of which, appellee refused to pay and has not paid more than the sum of $10.000.

(3.) While appellant is in no wise seeking to set aside or impair its contract relating to the release of royalties upon the Haish manufacture, it insists that, in equity, even if appellee were entitled to relief against appellant (which we deny), under its cross-bill, appellee should first reimburse appellant for the royalties which appellant released upon the Haish manufacture, prior to the date of its executing its release to the royalties upon the Haish manufacture before it can recover anything from appellant.

We have shown that appellant was entitled, under the terms of its contract, to $10,000., as its share of royalty upon money paid by Haish into court, under the decree rendered against Haish, and that in addition to this appellant was entitled to the further sum of $44,000. on account of royalty on wire manufactured by Haish prior to the 1st of January, 1891.

If appellee seeks now to recover the sum of $28,845. from appellant, by reason of the release paper executed by it on the Haish royalty, appellee ought to do equity and reimburse appellant for the sum of $44,000. so released by appellant on the Haish royalty, by virtue of the same instrument it seeks to recover in this cause.

Haish paid royalty to appellee up until April 1, 1884. On this appellee has not paid appellant the sum of $534. royalty due upon Haish's product under the contract between the parties. Appellee has neglected to collect royalty after April 1, 1884, from Haish, who is responsible. This amount should be ascertained by the court.

Other sums of money claimed by appellant as heretofore set out should be set off against appellee's claims, in case any relief shall be granted under the cross-bill.

Appellee's Fourth and Fifth Errors.

Appellee admits, that it collected and retains the sum of $1,666. from H. B. Scutt, and which is justly due appellant. (R. 629.)

Appellee claims it made over-payments of royalty of $966.06, account the National Wire Co., and $57.91 account the Lyman Manufacturing Co., or, in all, $1,023.97. No claim was ever asserted or demand made upon appellee for the payment of this money, at any time prior to the filing of the bill. It is true Calkins' attention was called to this matter, upon the taking of testimony at Worcester, in 1888. but, at the same time, appellee held in its hands the said sum of $1,666. collected from Scutt & Co.; $879.52 collected from the Ohio Steel Barb Fence Co., and $13,476.78 collected from licensees for May, 1883, as to which there can be no controversy, and upon which it could have applied these over-payments, and appellant could and would have made no objection to such application.

There is no need of a cross-bill for relief on account of these items. Appellee had the right, and could and should have applied these items upon the $1,666., and remitted the balance to appellant.

Appellee's First, Second and Sixth Errors

were to a great extent discussed in what we have already said concerning its cross-bill.

Counsel say further, that the payments made to appellant were not voluntary, but made under the provisions of the contract of June 12, 1883, which provides that such payments "Shall be made without any delay or rebate on account of any claim or demand, or question of claim or demand," on the part of appellee and Isaac L. Ellwood. This is not the fact.

Every cent of royalty sought to be recovered under the cross-bill from appellant, was for money paid to appellant upon the wire manufactured and sold by each of such licensees prior to June 1, 1883, save only the sum of $123.15 for royalty upon the sales of the Ohio Steel Barb Fence Co., in the month of June, 1883. And no claim was ever made for this money until October, 1884, just five months before the expiration of the contract.

The effect of this cross-bill, if allowed, would authorize appellee to recover from appellant the money which appellee received from various licensees in settlement of back damages July 27, 1881.

It made a settlement with W. J. Adams on April 15, 1885. It paid Adams $7,800.; $6,000. of this amount was on account of his note taken by appellee in settlement of his back damages. (R. 617, 618.)

In the settlement made with the Lockstitch Fence Co. appellee received new notes from that Co. given for back damages, the amount of which it is seeking to recover under the cross-bill. (R. 624.) The statement of this claim shows its absurdity.

All the money paid by appellee to the various licensees was in full for royalty paid to appellee on account of the Kennedy, Putnam and Glidden patents, and on account of appellee's contract with Isaac L. Ellwood. Appellee says the relation between these various parties was that of a partnership. The nature of the partnership is unknown to appellant.

The patent properties purchased from Haish were conveyed to appellee *and* Isaac L. Ellwood. (R. 379.) How much money was paid appellee by Glidden, Putnam, Kennedy or Ellwood, or whether or not the money which appellee claims it paid back to the licensees was refunded to it, or any part refunded to it by these parties, is unknown.

To compel appellant to pay appellee the money claimed under its cross-bill would be to add a covenant to the contract of release made by appellant July 27, 1881, releasing the royalty on Haish's manufacture. It would make a new contract. Courts of equity do not add covenants to a contract; they enforce the contracts as the parties make them. Under what covenant, or under what rule of construction can this court compel appellant to pay Isaac L. Ellwood, under the terms of this release, for patents which Ellwood bought from Haish? Such would be the effect of its construction of this release if appellee were permitted to recover under its cross-bill.

There was no claim by appellee or demand made upon appellant for any of this money before appellee's filing its cross-bill. On the contrary, appellee continued to pay appellant from time to time upwards $26,000. royalty after the expiration of its contract without this alleged claim being mentioned at all.

The claim sought under this cross-bill was merely an afterthought of appellee's counsel, having no foundation in fact or theory.

(2.) Another reason why appellee should not recover under its cross-bill, is that Isaac L. Ellwood is a necessary party to such cross-bill.

Washburn says, that the interest of Ellwood in the licenses granted in 1881, "was just as large as ours," and that no license could be granted without "his concurrence." (R. 445.) Ellwood made a contract with appellee, May 10, 1876, under which appellee and Ellwood carried on a partnership in barb wire patents and the barb wire business.

What the terms of such contract are we have no means of ascertaining. If his interest in these licenses is just as large as appellee's interest, so is his interest in the money when collected under the licenses.

Ellwood's interest in the patents was just as large as his interests in the licenses. The Haish patent properties were transferred to appellee *and Ellwood.* (R. 379.) Ellwood being equally interested under the contracts in the money paid back by appellee, is a necessary party to the cross-bill. Ellwood was a resident of the State of Illinois at the time this cross-bill was filed.

This defense can be made on final hearing, appellant praying in its answer the benefit of the same defenses, as if raised by demurrer. (R. 70.)

Daniel's Ch'y Pr., 715.

II.

Sundry Settlements Between Appellee And its Licensees.

Settlements in Writing.

I.

Controversies of various kinds arose between appellee and many of its licensees, and settlements were made. These settlements were mostly made in writing.

On February 5th, 1884, appellant wrote in reference to a settlement which appellee stated it had made with Scutt:

"We feel that in our last agreement, by which we reduced our royalty to 5c. per 100 pounds, *that we should have the full amount in any settlement,* and especially if any responsible company, or, if a

compromise is to be considered, that our interest should not be jeopardized or compromised, *except with our consent.*" (R. 190.)

On March 7, 1884, appellant again wrote: "Will you kindly furnish this company with complete list and statements of all settlements made with licensees who have been in arrears, either by litigation or otherwise, the *exact nature of each settlement*, so far as it concerns this company, terms of payment, etc., etc." (R. 542.)

This was an express direction to appellee that it should not compromise any claim of appellant in any settlement, without its consent. These requests were made before appellee had settled with one of its licensees.

On October 29th, 1886, after the termination of appellant's contract, it again wrote:

"We notice that you have not made any returns to us, nor payments for barbed wire fencing manufactured by you or your licensees, for wire sold prior to February 11, 1885, since April 20, 1886. And that there is a large amount of money due this Company under your agreements, it is due to us to have explicit reasons in each individual case where royalty has not been collected, the reason for such failure to collect. If settlements have been made with parties wherein royalty has been condoned by you for royalty accrued prior to February 1885, *then we should have copy of such settlement* or explicit reasons from you why such failure to collect." (R. 550.)

Although frequently requested to do so by appellant, appellee refused to furnish appellant with a copy of a single settlement paper, or even with the substance of one of them, at any time prior to the time of the institution of this suit. (R. 87.)

With the exception of two licensees (Wm. Watkins and the Crandal Co.), appellee waited until after the termination of its contract with appellant before making any settlement.

Calkins testifies that "Prior to the commencement of this suit (appellee) did not inform (appellant) of the terms of such settlements. (Appellee) neither consulted (appellant) with reference to such settlements with any of its licensees, nor did they report such settlements, nor the terms thereof *in any case whatever.*"

"(Appellee) never consulted (appellant) as to the making of any settlements with any other licensees prior to the time of making the same. (Appellant) never knew the terms on which (appellee) made such settlements with the other licensees prior to the institution of this suit." (R. 87.)

Calkins testimony is not controverted.

Washburn was asked, when on the witness stand, to produce all correspondence with appellant relating to settlements made between appellee and its licensees. (R. 628.) He promised to produce them, if there were any such. No letters were produced; there are no such letters.

Appellant not being furnished with either copies of the settlements, or being made acquainted with the substance of any one of such settlements, cannot be said to have ratified them. Appellee studiously refused to impart any information to appellant as to any such settlements, which information it requested and to which information it was entitled.

We note below particularly the settlements in the cases of the Baker Mfg. Co. (R. 205.); H. B. Scutt & Co. of Buffalo (R. 203.); H. B. Scutt & Co., Limited, of Pittsburg, (R. 209.); Albert Henley, (R. 206.); The Lock Stitch Fence Co. (R. 624, 639.); The Crandal Manufacturing Co. (R. 625.); William Watkins (R. 428.); Fish & Connell (R. 210.); The Ohio Steel Barb Fence Co. (R. 368.); and The Chicago Galvanized Wire Fence Co. (R. 333.) because of the peculiar circumstances attending these settlements. *

---

* THE BAKER MANUFACTURING CO.,

Reported as having sold from November 1882, to September 1883 4,649,085 lbs. wire. (R. 337), royalty on which amounts to $9,973.63.

In the fall of 1883, the Baker Manufacturing Co. sold its machines to the Baker Wire Co. for the sum of $16,500, and also leased its factory to the BAKER WIRE CO., at a yearly rental of $2,000. The officers of both companies were substantially the same; all the stockholders of the Baker Manufacturing Co. were stockholders in the Baker wire Co. George C. Baker was President of both companies. (R. 418).

The Baker Wire Co. manufactured and sold between October 1, 1883, and February 12, 1885, 11,820,180 lbs. wire. (R. 418.) The royalty on which, at the rate of 5c. is $5,910.09. On the 13th of April, 1885, appellee settled with the Baker Manufacturing Co.

In this settlement made between the Baker Wire Co., the Baker Manufacturing Co. and appellee, the license to the Baker Manufacturing Co. was canceled and a new license issued by appellee to the Baker Wire Co. dated February 8, 1885. Appellee licensed the Baker Wire Co. under the *same letters patent (including* the letters patent to Joseph F. Glidden and *Michael Kelly)* which are recited in the printed form of the license issued to every licensee of appellee between January 1881, and February 1885. (R. 626.) By this written declaration the Baker Wire Co. recognized the validity of the Kelly barb wire patents, notwithstanding the decision of Judge TREAT in the same circuit in which it was licensed to make wire. Appellee issued a release to the Baker Wire Co. and to all persons against whom it and I. L. Ellwood might have claims or demands by reason of the sale of barb wire manufactured by the Baker Wire Co. and from all claims or demands of whatever nature or description accruing prior to March 10, 1885. (R. 205.) C. G. Washburn says the negotiations "were had together for *both* companies. The settlement was adjusted and the terms agreed upon and settlement at one and *the same time*." (R. 338.)

In addition to the foregoing, settlements were also made by appellee with W. J. Adam, (R. 207), Cleveland Barb Fence Co., (R. 359), The Iowa Barb Wire Co., (R. 336), and the Cincinnati Barb Wire Fence Co. (R. 208), and release given by appellee to those respecting companies. Each such settlement is in writing and in evidence.

In every such settlement made with a licensee, the original license was canceled, a new license issued and a release given to each such licensee as well as the stockholders of the infringing companies from all obligation under the old license, with an increase of tonnage and the right to manufacture *the same* and additional *styles of wire* previously made.

The tonnage of W. J. Adam was increased 1,000 tons; the Crandal Manufacturing Co. from 1,800 to 3,000 tons; the Cleveland Barb Wire Co. from 900 to 3,000 tons; the Ohio Steel Barb Fence Co. from 1,300 to 3,000 tons; the Baker Wire Co. from 1,500 to 7,000 tons; the Iowa Barb Wire Co. from 4,500 to 8,000 tons; H. B. Scutt & Co. from 1,500 to 10,000 tons; and the new companies organized by

When appellee settled with the Baker Wire Co. for the wire made on such machines, and released the Baker Manufacturing Co. and all other persons against whom it might have any claim by reason of the wire theretofore manufactured by either company, and thereupon licensed the Baker Wire Co. to manufacture the same style of wire which had been authorized to be made by the Baker Manufacturing Co., and which was made upon the same machinery, the presumption is conclusive, that this entire negotiation was a settlement of all royalty due from the Baker Manufacturing Co. Exhibit B. (sample of wire attached) to the license issued to the Baker Wire Co., dated March 10, 1885, *is the same style of wire as one of the exhibits* attached to the license issued to the Baker Manufacturing Co. in January 1881. It is also provided in the license to the Baker Wire Co. that, the "*Baker Wire Co. have the right to manufacture the entire amount of its licensed tonnage of the style marked Ex. B.*" (R. 626.) The entire tonnage of the Baker Wire Co. could be manufactured upon the same machines which the Baker Wire Co. purchased of the Baker Manufacturing Co. The Baker Wire Co. was authorized, also, to manufacture new styles of barbed wire, in addition to the wire previously made by the Baker Manufacturing Co.

H. B. SCUTT & CO., *OF BUFFALO*

sold 1,369,031 lbs. wire during the months of May to September, 1883, on which no royalty has been paid. (R. 344 and reports), the royalty on which due appellant amounts to $714.52. On February 3, 1886, appellee remitted to appellant the sum of $166.67, on account of such royalty. (R. 87.) About January 25, 1883 the H. B. Scutt Co. was organized at Buffalo and did business in that name, until the name was changed to the Buffalo Barb Wire Co. (R. 422.) The president, secretary and treasurer, and Board of Directors of the Buffalo Barb Wire Co. were the same persons who had held these respective positions in the H. B. Scutt & Co. The machines used by the Buffalo Barb Wire Co. in the manufacture of its wire, were purchased from B. A. Lynde, formerly a member of the firm of H. B. Scutt & Co.,

former licensees were each granted a much larger tonnage than that previously granted to the respective licensees so settling.

The consideration for such settlement and increased tonnage and privilege was *the release of this past due royalty*, to which appellant was, under the terms of its contract with appellee, entitled.

C. G. Washburn says, that appellee's power to grant and limit tonnage was an important factor in making settlements. (R. 358.)

---

and afterward secretary and treasurer of the H. B. Scutt Co. Lynde testifies: "They were the same machines that had been used by the firm of H. B. Scutt & Co. I think there were eleven Scutt machines, but I don't remember the number of Ross machines, nor the price paid therefor. The Buffalo Wire Co. paid me cash for the machines." (R. 422.) Lynde purchased the interests of the other members of H. B. Scutt & Co. and dissolved the partnership. He thereupon organized The H. B. Scutt Co., and sold to it the barbing machines of the partnership. (R. 423.) "The name of H. B. Scutt & Company was simply changed to the Buffalo Barb Wire Company," and had the same officers and stockholders. The H. B. Scutt Co. and the Buffalo Barb Wire Co. were one and the same corporation, the name only being changed. (R. 424.) "There was no change in the place of carrying on the business when the Buffalo Barb Wire Co. was organized." (R. 422.)

The H. B. Scutt & Co. reported to appellee barb wire manufactured and sold by that Co. from the months of May, June, July, September, 1883, as having been sold by H. B. Scutt & Co. (See reports , and letter Dec. 1, 1886. R. 200.) In September 1883, The *H. B. Scutt Co.* remitted to appellee $1,000, royalty one-sixth of which, to wit: $166.67 appellee sent appellant February 3, 1886. The H. B. Scutt Co. by its letter-head advertised that it was "Licensed under all the bottom patents," (R. 620), and manufactured the barb wire known as the "Scutt Patent" wire. C. G. Washburn states: "*We believed the Buffalo Barb Wire Company were infringing upon our patents*, and they expressing willingness to recognize our rights, preferred to take a license under our patents and pay for their use, rather than contest the question. * * * The Buffalo Barb Wire Co. was licensed under the patents owned by Washburn & Moen Manufacturing Co.—the same as the other licensees" (R. 345), including the Kelly letters patent. Appellee executed to the Buffalo Wire Co. The H. B. Scutt Co. and Burdette A. Lynde a release of all claims and demands of every nature prior thereto. (R. 204.)

The Buffalo Barb Wire Co. refused to furnish any information in this case as to the amount of barb wire manuactured by it between September, 1883 and February 12, 1885. (Deposition of Lynde. R. 422. *792.)

The amount of wire so manufactured by the H. B. Scutt Co. and the Buffalo Barb Wire Co. cannot be less than 2,500 tons, and can only be ascertained upon an accounting had under the order and upon an inspection of the books of that Co. and of the papers, correspondence and books of appellee.

H. B. SCUTT & CO. LIMITED. *OF PITTSBURG, PA.*,

sold 6,980,717 lbs. wire prior to January 1, 1884, the royalty on which amounting to $3,494.85 has not been paid appellant. For the royalty on this wire appellee accepted their notes maturing at different dates. Of this amount appellee paid appellant $1,377.89. (R. 196, 89, 342.)

C. G. Washburn testifies "There is due (appellant) on sales by H. B. Scutt & Co., Limited, $1,666.66 which has come into our hands since the beginning of this suit," (R. 629) and which it has not paid.

H. B. Scutt & Co., Limited, manufactured and sold 18,866,341 lbs. wire subsequent to December, 1883 and prior to July, 1884, the royalty on which due appellant amounts to $9,434.17. The number of pounds of wire manufactured by the H. B. Scutt & Co., Limited, subsequent to June 1884, and prior to February 12, 1885, does not yet appear.

On January 21, 1886, appellee wrote appellant (R. 196) that, on December

The Kelly patent had expired. It was the numerous patents by which, Mr. Coburn says, appellee was able to control all the styles of wire in the future that enabled appellee to procure such increased tonnage.

We have seen that appellee paid for numerous of such styles of wire by abatement in past damages, in January 1881, about $90,000.

No part of this royalty has been paid appellant. Appellee was

---

1, 1885, settled with that Co. by taking its notes for $22,000, running four years.

Sometime in February, 1884, the Pittsburg Steel Fencing Co. took from H. B. Scutt & Co., Limited, a lease of the factory and machines of H. B. Scutt & Co., Limited, and thereupon entered upon and continued to manufacture the same style of wire upon the same machines until about January 1st, 1886. (R. 432.) "This lease was terminable at the pleasure of the lessor." (R. 433.)

On December 1st, 1885 appellee executed a release to H. B. Scutt & Co., Limited, in consideration of H. B. Scutt & Co. Limited, paying $28,836.37, in notes payable to appellee, running from four months to four years, with interest at 5 per cent. per annum, "indorsed by parties *satisfactory*" to *appellee*. (R. 368.) Why appellee wrote that it settled with this Co. for $22,000 instead of $28, 836.37 (R. 196) does not appear.

There had been pending between appellee and H. B. Scutt & Co. Limited, certain suits, the full nature of which is not disclosed, but some of the issues in those suits were occasioned by the Haish settlement. In the agreement of settlement it was stipulated that the said suits should be dismissed, and that the licenses issued to H. B. Scutt & Co., Limited, (and to the Pittsburg Hinge Co.) "shall be considered canceled (two days following the term of appellants contract) as of the 14th day of February, 1885, and treated as null and void from that time." (R. 368.) "A new license was then issued to H. B. Scutt & Co. Limited, * * * who then continued to pay royalty, under their new license." (R. 343.)

C. G. Washburn testifies: "I was informed that the H. B. Scutt & Co. Limited, had leased to Pittsburg Steel Fencing Co. the machines which they had operated, and that they would cancel the lease and *resume operations* themselves when this settlement was consummated." (R. 344.)

Oliver, treasurer of the H. B. Scutt & Co. Limited, testifies: "The Pittsburg Steel Fencing Co. used, in the manufacture of its barb wire, the barbed wire machines formerly used by the H. B. Scutt & Co., Limited, of Pittsburg, Pa., under a lease from that company." (R. 432.) "That company leased the factory *and plant* of H. B. Scutt & Co., Limited. This lease was terminable *at the pleasure of the lessor*. When, therefore, H. B. Scutt & Co., Limited, settled with appellee they resumed possession of their own factory." (R. 433.)

At what rate or on what basis the amount of $28,836.37 was arrived at, does not appear, and can not be told, as appellee and the officers connected with H. B Scutt & Co. refuse to give the number of pounds of wire sold.

ALBERT HENLEY,

reported wire manufactured and sold by him until April, 1882. Henley, personally, did not continue to manufacture barb wire after March, 1882. In March, 1882, the Lawrence Barb Wire Co. was incorporated. (R. 414.) Henley testifies: "The Lawrence Barb Wire Co. first used machines purchased of A. Henley. * * * There was no change in the place of business from A. Henley to the Lawrence Barb Wire Company." (R. 415.)

In July, 1883, the Consolidated Barb Wire Co. was organized. "The Consolidated Barb Wire Co. first used machines of the Lawrence Barb Wire Co., the North Lawrence Fence Co., and the South-Western Barb Wire Co." (R. 414.) The South-Western Barb Wire Co. was a licensee of appellee which had continued to report the amount of wire sold by it up to June, 1883.

Henley further testifies: "The machinery went into possession of the said differ-

building up its then future business by reason of the patents thus acquired in 1881. For the payment of these patents, appellee then used money belonging to appellant. It is now reaping the benefit of this unpaid royalty due appellant.

Appellee gives various reasons why it made such settlements, and why such royalty was not collected.

(*a.*) In the settlements with the Southern Wire Co., Albert Hen-

---

ent companies by purchase and agreement. * * * There was no change in the place of business from A. Henley to the Lawrence Barb Wire Co., but from this Co. to the Consolidated Barb Wire Co. there was some change in location. The manner of carrying on the business was the same in all companies, except, the companies being different, the books were kept different." (R. 415.)

Henley was the Secretary and Treasurer of both the Lawrence Barb Wire Co. and the Consolidated Barb Wire Co. (R. 416.) The Lawrence Barb Wire Co. manufactured and sold 1,440.778 lbs. of wire, subsequent to March, 1882, and prior to August, 1883. The Consolidated Barb Wire Co. manufactured and sold 6,273,881 pounds of barb wire prior to February 12, 1885, (R. 415) the royalty on which due appellant is $5,286.90, which has not been paid.

On December 5, 1885, appellee executed to Henley a release of all claims for royalty or infringements theretofore committed by Henley, the Lawrence Barb Wire Co., and the Consolidated Barb Wire Co; the license originally issued to Henley was then canceled and a new license issued to the Consolidated Barb Wire Co. (R. 206.) The release to each of these parties was in one and the same paper.

THE CHICAGO GALVANIZED WIRE FENCE CO.

paid no royalties on the wire reported sold by it, for months of January to April, inclusive, 1883, and April to October inclusive, 1884, being 1,724,593 pounds, (R. 333), the royalty on this, due appellant, amounts to $1,364.94, which has not been paid.

This licensee instituted a suit in August, 1881, against appellee for the recovery of royalties paid by it on the ground that the purchase by appellee of the Haish patents was a violation of a contract entered into with it by appellee at the time its license was granted.

On December 18, 1883, appellee made a settlement with this Company. The license of January, 1881 was canceled, (except as to *rights* accrued up to that time.) A new licence was issued and this Company thereafter paid royalty, under such *new* license. (R. 640.) The sales under the new license were 719,103 pounds, the royalty on which is the further sum $359.45.

THE OHIO STEEL BARB FENCE CO.

reported having manufactured and sold between July 1, 1883, and February 12, 1885, 3,643,644 lbs. wire, (R. 333), on which appellee collected no royalty. The royalty on this wire, at the rate of 5 c. per 100 lbs. is $1,821.82.

The Ohio Steel Barb Fence Co., in 1883, instituted a suit in equity against appellee under a claim made by it in regard to the Haish settlement. This suit was instituted in the State Court, and was removed by appellee and I. L. Ellwood to the Circuit Court for the 7th Judicial Circuit (R. 312.) This suit was afterwards, on final hearing, dissmissed *for want of equity* (R. 624.) After this decision, on the 17th day of July, 1886, (R. 368), appellee and the Ohio Steel Barb Fence Co. made a settlement, wherein appellee released the Ohio Barb Fence Co. for all claims for royalty under its license, which was then canceled, and a new license issued.

THE CRANDAL MANUFACTURING CO.

reported that it had sold between October 1, 1882, and April 30, 1883, 1,222,218 lbs. wire, (R. 332), the royalty on which amounts to $1,833,33.

On the 19th of September, 1884, (R. 547) appellee and the Crandal Manufacturing Co. made a settlement by which a decree was entered in a suit between appel-

ley, (Consolidated Barb Wire Co.), American Barb Wire Co. and Baker Wire Co., appellee says that such companies refused to take license from appellee and Ellwood because of the decision of Judge Treat in June, 1883, adverse to the Kelly and Glidden re-issued patents. The evidence clearly shows this is not the fact.

The licenses issued by appellee subsequent to Judge Treat's decision, during the life of the Kelly patents and until May, 1885, recite

---

lee and that Company, *by consent of both parties*, finding $14,862.20 due Crandal Manufacturing Co. from appellee. In this settlement the royalty uncollected was released.

THE LOCK STITCH FENCE CO.

manufactured and sold 4,790,104 lbs. wire prior to January 1, 1883, the royalty on which amounts to $7,185.15, and, commencing with March, 1884, and ending with February 11, 1885, 3,710,342 lbs., (R. 334), the royalty on which amounts to $1,855.17, none of which has been paid appellant.

On January 1, 1884, appellee made a partial settlement with the Lockstitch Fence Co., whereby that Company took a new license and thereafter paid the royalties under such license. (R. 639.)

On the 25th of February, 1887, appellee made a settlement with the Lockstitch Fence Co., whereby all unpaid royalty was settled and adjusted. (R. 335.) *By consent of the parties* at the time of such settlement, a decree was entered in a suit between the Lockstitch Fence Co. and appellee, finding the amount due from it to the Lockstitch Fence Co. $12,500.

FISH & CONNELL

manufactured and sold wire under license from appellee until October, 1882. They reported as sold by them, and on which no royalty has been paid appellant in the year 1882 barb wire to the amount of 219,234 lbs. (R. 628.) The royalty on this wire amounts to $328.85.

Appellee executed a release to the members of the firm of Fish & Connell, by an instrument bearing date May 1st, 1887. (R. 210.)

At the same time appellee settled with Fish and Connell, it issued a license to

THE JOLIET ENTERPRISE CO.

and executed a release to that Co. upon all barb wire previously manufactured by such Co. (R. 210.) That Co. had manufactured prior to February 12, 1885, 3,646,860 pounds of wire, (R. 427) the royalty on which amounted to $1,823.43.

The members of the firm of Fish & Connell were officers and members of the Joliet Enterprise Co. (R. 427.) The release to that Company is the same paper which releases those individuals.

WILLIAM WATKINS.

Watkins & Ashley were licensed in January and February, 1881. They ceased to report after September, 1882.

About the time Watkins & Ashley ceased to report barb wire to appellee, the Watkins Barb Fence Co. commenced to manufacture and sell barb wire. Such company manufactured barb wire under license from William Watkins, (R. 429) and ceased to do business about the first of March, 1884. When the Watkins Barb Fence Co., Consolidated, (partnership composed of William Watkins and M. W. Watkins), began to manufacture barb wire.

This Watkins Barb Fence Co. sold 165,619 lbs. wire prior to May, 1884. This company also had on hand May 1st, 1884, barb wire to the amount of 200,000 pounds, which was afterwards sold by that company, and on which no royalty was paid. Appellee "had knowledge of such sales, and gave their consent thereto. Their traveling accountant went over the books with (us), and such sales were deducted from the reports." (R. 429.) On May 1, 1884, a new license was

specifically that such licenses are issued among others under the Kelly letters patent re-issue No. 6902, as well as the Glidden patents. The new licenses issued to the Baker Wire Co., The Buffalo Wire Co., dated after February 12, 1885, include both these letters patent. (R. 356, 626.) And in the Fall of 1885 new additional licenses were issued by appellee and each of these licenses recite that they were issued under the Glidden Re-Issue patents No. 6913, Division A. and No. 6914, Division B., the same as the licenses previously issued in January, 1881, and under these licenses these parties thereafter continued to manufacture up until the time of the commencement of this suit, although *all* these parties were doing business in the Eighth Circuit, in which Judge Treat presided.

(*b.*) Appellee's counsel will argue that from and after the time of Judge Treat's decision, the Kelly patents were "dead," and from thenceforth are of no value. It does not lie in the mouth of appellee to call these patents dead.

The language of Judge BLODGETT in *Pope Mfg. Co.* v. *Owsley*, 27 F. R. 108, is here applicable.

"These patents are not, in my opinion, dead, *as between these parties*, merely because the Judge in another Circuit has held them void in some suit before him between different parties. By taking the licenses, these defendants waived and abandoned their right to contest the validity of these patents, or any of them, and agreed to pay the stipulated license fees; and merely because someone else has successfully contested the validity of one or more of these patents the defendants are not relieved from their obligations."

Appellee settled this matter when it made the modified contract of June 12, 1883.

Appellee having made its election at this time, and having acted

---

issued by appellee to Watkins, and said suits were dismissed. (R. 625.) Watkins paid a royalty thereafter under his new license.

The Watkins Barb Fence Co. manufactured and sold barb fence wire to the amount of 233,436 lbs. wire subsequent to September, 1883, and prior to its going out of business. (R. 428.)

No royalty was ever collected on said wire, amounting to 599,155 pounds. This royalty amounts to almost $300. No effort was made by appellee to collect the same.

In February, 1886, appellee granted a license to the AMERICAN BARB WIRE CO. (R. 425, 340.)

This company had manufactured and sold between July, 1884, and February 12, 1885, four million pounds of wire, the royalty on which amounts to $2,000., which has not been paid.

upon such election during the balance of the term of the contract, the question of "dead" patents cannot arise, and its duty toward appellant continued.

This excuse is a mere afterthought. In none of the numerous letters which appellee sent appellant, giving reasons why royalty was not paid, did appellee ever urge as a reason, the fact that the licensees refused to pay royalty on account of Judge Treat's decision.

(*c.*) In the cases of Baker Mfg. Co., H. B. Scutt & Co., Limited, of Pittsburg, H. B. Scutt & Co. of Buffalo, Albert Henley, Fish & Connell and William Watkins, appellee knew that during this time, the very machines which they afterwards licensed under the new licenses had been and were being used by the Consolidated Wire Co., Lawrence Barb Wire Co., the Baker Wire Co., the H. B. Scutt & Co. of Buffalo, the Buffalo Wire Co., the Pittsburg Steel Fencing Co., Joliet Enterprise Co., and the various companies connected with such parties, under former license and under a lease or some working arrangement from such or other former licensee.

The licenses limited the licensee to a specific number of machines. While such license provides that the licensee "shall not under this license barb any wire for any other party or parties directly or indirectly" (R. 364 § 13.), yet the moment such party effects a settlement with appellee, these very machines are relicensed by appellee, and payment of royalty upon the barb wire made under such machines *resumed*. Or, as C. G. Washburn testifies, in case settlement was made with the Pittsburg Steel Fencing Co. H. B. Scutt & Co., Limited, "would cancel lease and *resume operations themselves*." (R. 344.)

And, as Mr. Oliver says in reference to the same company, "when therefore, H. B. Scutt & Co., Limited, settled with appellee, *they resumed possession of their own factory*," (R. 433.) and resumed the payment of royalty.

Without naming specifically the various other companies, this was the course pursued in *every* such settlement. The same machines which had been operated by the infringing parties were immediately put into possession of the new licensee, and the manufacture of wire thereon and the payment by them of royalty to appellee resumed.

§ 13 of the license provides that the licensee should not "directly or

indirectly" manufacture wire for any other person, when those machines were leased by a "determinable lease," or, nominally, sold to another corporation of substantially the same stockholders and officers, who "continued" the same manufacture. It was clearly a violation of this covenant, for which appellee could have canceled such license. Instead of doing so, it remained passive until appellant's contract expired, and then gave releases to the parties in consideration of new covenants for its own benefit.

Appellee well knew that these stockholders and officers of these new companies were liable to infringements, while operating such factories.

Goodyear v. *Phelps*, 3 Blatch., 91.
Poppenhusen v. *Falke*, 4 Blatch., 495.
Natl. Car Brake Shoe Co. v. *Terra Haute Mfg. Co.*, 19 F. R., 514.
Iowa Barb Steel Wire Co. v. *Barbed Wire Co.*, 30 F. R., 123.
Cahonne Barnett Mfg. Co. v. *Rubber & Celluloid Harness Co.*, 45 F. R., 582.

The rule is thus stated in the last case. "All agents of a corporation who perform acts of infringement, and all stockholders, and directors and other officers who, in conduct of the ordinary business of the corporation, authorize infringing acts (are) personally responsible to the owners of the patent." Such rule is "in harmony with other doctrines of the law, sufficiently protects the patentee and justly punishes those whose wilfull acts place them on the same footing with individual infringers."

(*d.*) In the cases of the Crandal Manufacturing Co., and the Lock Stitch Fence Co. the releases were in the shape of judgments, rendered "by agreement" of those companies and appellee, (R. 625.) in suits to which appellant was no party. Such proceedings clearly could not be binding on appellant.

(*e.*) In the cases of the Baker Wire Co. The Joliet Enterprise Co., (Fish & Connell), H. B. Scutt & Co. of Buffalo, (Buffalo Wire Co.), H. B. Scutt & Co Limited, (Pittsburg Hinge Co.), The Lawrence Barb Wire Co., The Consolidated Wire Co., Albert Henley, The Southern Wire Co., and American Wire Co., upon the execution of a license by those respective parties, appellee immediately execut-

ed a release of all claims for past infringements committed at any time by those companies, and each of their officers, prior thereto, *without making any effort whatever to obtain information as to the amount of wire previously made by them*, and without knowing the amount of such back damages. Appellant endeavored to ascertain the amount made by The H. B. Scutt & Co. of Buffalo and The Pittsburgh Hinge Co. The officers of those companies refused to give the information upon the interrogations propounded below.

It was the duty of appellee under the terms of its contract to use due diligence and lawful means in the collection of royalties for past as well as future manufacture of wire, from its licensees which was manufactured while such contract was in force.

In the cases Novelty Manufacturing Co.; Schreffler & Van Fleet; The Mutual Mfg. Co.; and National Wire Co., appellee accepted notes in payment of royalty which has not been paid appellant.*

---

*The Novelty Manufacturing Co.

sold between May 1, 1884 and November 1, 1884, 1,696,201 lbs. wire on which the royalty amounted to $843.13. On Novemder 7, 1884, appellee wrote that "Royalty from May to October, 1884, was paid by notes due in November, December, January and February." (R. 217.)

Schreffler & Van Fleet

sold prior to February 12, 1885, 954,938 lbs. wire, the royalty on which amounted to $477.35; there still remains unpaid $68.97. On February 26, 1885, appellee wrote "royalty on the sales in October, 1884, paid by note due March 13, 1885." (R. 195.)

The Mutual Manufacturing Co.

sold 203,788 lbs. wire in August, September and October, 1884, the royalty on which amounts to $101.84. On November 7, 1884, appellee wrote "The royalty on this company for June, July, and August, 1884, was paid by notes, due in October, November and December, respectively." (R. 217.)

On February 26, 1885, it again wrote "royalty on sales from July up to December 1st, 1884, paid by notes." (R. 195.) And which notes were again extended.

The National Wire Co.

sold 3,171,113 lbs. wire between August, 1883, and December, 1884, on which the royalty due appellant amounted to $1,585.55. On this amount there has been paid appellant $882.82, leaving a balance due $902.73. In addition to this, the royalty due appellant on sales of October and November, 1884, amounts to $51.60. Appellee wrote March 17, 1884, that royalty on sales of the National Wire Co. from May, 1883, to January, 1884, were "paid by notes" dated January 2, 1884, and running from seven to nine months. (R. 543.)

On November 7, 1884, appellee wrote that the note which was due October, 1884, had been renewed, and that it had taken notes for the royalty for the months of April, May, and June, 1884; that the July royalty was "paid in cash," and the August and September royalty was "paid by notes due in March, and January, 1885, respectively." (R. 217.)

In addition to the foregoing appellee failed to collect upon the wire of EDWIN A. BEERS, who manufactured and sold 1,074,184 lbs. of barb wire. (R. 339.)

Washburn testifies, that JACOB HAISH paid royalty on his wire up to April 1, 1884, the same as any other licensee. (R. 356.) Haish reported 1,081,350 lbs. of barb wire in excess of the first 4,000 tonnage during the first two years of his license. (R. 348.) The royalty on this, under the terms of the contract, was $534.00. Haish did not re-

**Royalty Released in Appellee's Settlements with Licensees.*

NAME.	WHEN MADE.	NO. POUNDS.	AM'T.	PAGE REC.
William Watkins	May 1, 1884	599155	$ 299.58	428
Crandal Mfg. Co.	Sept. 30, 1884	1222218	1833.33	332
Baker Wire Co.	April 13, 1885	4649085 at 15c	6973.63	
(Baker Mfg. Co.)		11820180 at 5c	5910.09	205, 337
W. J. Adam	April 15, 1885	1922810	961.40	207, 337
H. B. Scutt of Buffalo, N. Y. Buffalo Wire Co. The H. B. Scutt Co	May 1, 1885	1369031 sold (to this should be added the amount sold subsequent to Sept., 1883.)	684.52	203
Southern Wire Co. (Missouri Wire Co.)	Nov. 25, 1885	($15125 back damages)		
H. B. Scutt & Co., Limited, of Pittsburg	Dec. 1, 1885	18868341 (to this should be added the amount for which notes were taken and amount while manufacturing under the name of the Pittsburg Steel Fencing Co.)	9434.17	209, 342
A. Henley	Dec. 5, 1885	1229038 at 15c	614.52	206, 415
		6373881 at 5c	3186.94	359
Cleveland B. W. Co.	Jan. 1, 1886	4587775	2293.89	370
Iowa B. W. Co.	Jan. 4, 1886	12948354	6538.00	335
American W. Co.	Feb 1, 1886	4000000	2000.00	426
Chi. Gal. W. F. Co.	May 16, 1886	1005490 at 15c	1507.27	640
		719103 at 5c	354.55	371
O. S. B. F. Co.	July 17, 1886	3643644	1821.82	333, 368
Cinn. B. W. Co.	Dec. 12, 1886	1587910 at 15c	2381.76	426
		6941632 at 5c	3470.81	208
Fish & Connell	March 17, 1887	219234	109.61	427
Joliet Enterprise Co.	March 17, 1887	3644860	1823.43	210
Lockstitch F. Co.	May 5, 1887	4790104 at 15c	7185.15	639
		3710342 at 5c	1855.17	335

Other Royalty Not Collected.

Edwin A. Beers	$537.09
Mutual Manufacturing Co.	101.84
National Wire Co.	954.33
Novelty Wire Co.	700.98
Shreffler & Van Fleet	68.97
Jacob Haish	504.00
Total	$63,936.78

(We do not claim that these amounts are correct, but they are as nearly so as can be ascertained from the imperfect statements furnished by appellee and from depositions in evidence.)

port after April 1, 1884, There is no reason given why appellant did not collect this royalty. Haish was responsible and appellee was paying Haish for his patents during this entire time. It had it in its hands to collect this royalty. Under the terms of the contract, royalty was due appellant upon the second 4,000 of Haish's 10,000 annual tonnage.

The amount due appellant for royalty upon these various licensees with whom settlements were made, or which remains uncollected, amounts to upwards of $63,000.*

And in the cases of the Mutual Mfg. Co., the National Wire Co., The Novelty Mfg. Co., the notes first given by such parties were *renewed* by appellee.

The first instance in evidence was that of the Iowa Barb Wire Co. Appellant wrote to appellee on April 4, 1882, "We note, also, a margin on your report, you say 'settled by note, four months, etc.', this, of course, is perfectly proper for you to do, but as that is an acceptance by you in lieu of money which is actually due us upon the last day of January, *and as you have accepted interest drawing paper for the same, we ask that you forward the above amount and any other amount for royalty that you have settled by note.*" (R. 188.)

Appellee made no reply to this letter. On October 6, 1883, appellant again wrote:

"In your statement of the condition of the accounts against licensees sent us some time since, we notice that you have accepted notes in payment for royalty, drawing interest, instead of or in lieu of cash, and that you have withheld payment of that portion which is due this company and reported same unpaid. This you clearly *have no right to do*, and a settlement by note *accepted by you* should not work against us, nor our rights under our contract of demanding the money in the months that such royalty should be due this company, had you demanded cash.

"The terms of all of your licenses wherever granted, as far as our knowledge goes, are that cash shall accompany all sales by the 10th of the following month that sales are made, and any deviation from this, or any acceptance on your part of anything else should have the consent at least of this company. We trust, therefore, that all royalties wherein you have made settlement with the parties by accepting their paper will be paid to us our proportion in your settlement with the company on the last day of October." (R. 188.)

On February 12, 1884, appellant wrote in reference to a settlement with H. B. Scutt & Co., Limited, from May to September, 1883,

"If you have settled by note or notes, *we should have our portion turned over to us*, or your notes in their place, or the cash in any case we should be acquainted with the settlement." (R. 540.)

On May 12, 1884, appellant again wrote:

"We have always claimed that an acceptance by you of *notes*, or otherwise, from any *licensee* in *lieu* of cash for royalties due at any stated monthly period, did not debar this company from its right to demand a *money payment* at the next quarterly settlement from you, and with this view, which I think you will concede is correct, we think that in every case where settlement is made by notes, that *you should give us the option* of taking such notes, or our proportion of it, as our proportion of the royalty may be. Furthermore, such notes as you have are drawing interest until the time of payment, and when paid to you, such proportion as properly belongs or is due this company should be forwarded at once, instead of laying in your hands until the next quarterly report." (R. 546.)

Although appellee received interest bearing notes in payment of royalty, it did not give appellant the option. And the reports in evidence of payments made appellant show that none of the interest received by appellee on these notes was ever paid to appellant.

The position taken by appellant when this course was first pursued by appellee in 1882, was never changed, and in August, 1885, after the expiration of the license appellant wrote:

"A full report should be made to us for all wire made and sold up to and including Feb. 12, 1885. Also all parties with whom you have settled, like National Wire Company, Novelty Manufacturing Company, Lock Stitch, Iowa Steel Barb Wire Company, Ayers & Decker, Shefler & Van Fleet, W. J. Adam and others, and who hold your receipt, whether settlement was made by note or otherwise, should be paid to us in cash, at the proper time after such settlement was made. We have never consented to take notes for royalty." (R. 231.)

From the first inception of this practice in 1882, and in every subsequent year, appellant *protested* against this course. It did all in its power to show that it was neither proper or acceptable to it.*

In the third paragraph of the original agreement it was provided, that the royalty should be paid appellant monthly, and it was also therein provided, "That in case of losses by reason of non-payment of notes or draft received by party of the second part (appellee) in

*Letters as to notes from appellant. April 4, 1882, (R. 187), Oct. 16, 1883, (R. 188), Feb. 2, 1884, (R. 540), May 12, 1884, (R. 546), Aug. 7, 1885, (R. 231), May 1, 1886, (R. 231.)

the payment of fence wire for which they have already accounted and paid * * * a *pro rata* rebate should be made from the next succeeding payment." (R. 4.)

The evidence shows that difficulty arose in regard to making remittances of royalty monthly, and keeping the accounts correct. Thereupon §3 of the contract was modified on Dec. 8, 1878, so that the payment of royalty should thereafter be made monthly, and the provision relating to payment of royalty to appellee by notes or draft of licensees was eliminated from the contract so far as relates to royalties of licensees. The provision then made is as follows:

"That it (appellee) will pay over to (appellant) or its legal representatives, the money that it collects of said licensees, that is to be paid to (appellant) hereto quarterly; that is to say, on or before the last day of each January, April, July and October, it will pay (appellant) such proportion of money that it has received from its license during the previous quarter as royalties, as one-fourth of a cent per pound is to the entire amount per pound which said licensees agreed to pay as royalty; and (appellant) hereby agrees to waive, and does hereby relinquish, any and all claim on (appellee) for royalties on barbed wire made by its licensees which it may fail to collect *after using due diligence and lawful means to collect the same*, but in that case (appellee) shall make report to the (appellant) of all such royalties as it shall fail to collect, and from whom due *and the cause of such failure to collect*, and (appellee) agrees to make each of its licensees agree to pay it, for (appellant), one-quarter of a cent a pound on all the barbed wire it makes and sells during the term of the Kelly patent, *and to use its best endeavors to collect the same*." (R. 8.)

There is no question that the terms of this amendment to the contract are absolute so far as relates to royalty upon sales of licensees, and that this is so is made absolute from the fact in the next succeeding paragraph the parties have specifically agreed as to the royalties upon the manufacture of appellee and I. L. Ellwood & Co. There was no change made as to the payment of royalties upon their manufacture, excepting that from their own manufacture should be deducted what losses they might sustain by reason of the accounts of wire sold by I. L. Ellwood & Co. and appellee not being collected.

This amendment provides that appellee would pay royalty upon the sales of itself, I. L. Ellwood & Co. monthly by its four months note, "*According to the original agreement*," MINUS royalty upon such amounts of actual losses as they may have had to place in the suspense account during the previous month. If appellee did not col-

lect royalty from its licensees after using due diligence, etc., then it was not bound to account.

If appellee did not collect royalty upon its own sales then it could deduct the amount of such royalty from its monthly note for its own manufacture. There is no provision by reason of losses of royalty upon the sales of its licensees. Having thus provided specifically as to what royalty should be paid, in which case it can not be said that this specific contract thus carefully drawn by appellee's own counsel was accidental.

This obligation to "use due diligence and lawful means" was not changed by the amendments of August 7, 1879 or June 12, 1883. In the amendment made June 12, 1883, it is provided:

"*Eighth:* (Appellee) further covenants and agrees with (appellant) its successors or assigns, that it will pay the said reduced royalty of five cents per one hundred pounds to (appellant) its successors or assigns, on the barbed wire made and sold by itself, I. L. Ellwood & Co., or its licensees *at the time*, in the manner AND ON THE SAME TERMS AND CONDITIONS *as payments are now required to be made by the provisions of the contracts now existing between the parties hereto.*"

But say counsel it is provided in the amendment of June 12, 1883, that "No payments or royalty on licensed wire to be made until it shall have been first collected by" appellee, but, in the very same (7th) section it is provided that, "Payments of such reduced royalty of 5c for each 100 lbs. on licensed wire *to be made in accordance with said original contract* AND AMENDMENTS THEREOF." (R. 13.)

This section must be construed as an entirety and effect given to the whole. The only amendment to the original contract relating to the mode and manner of paying royalty is the amendment of December 2, 1878, above quoted.

By that amendment appellant only waived the right to royalty which appellee "may fail to collect after using due diligence and *lawful means* (and its best endeavors) to collect the same." While appellant by the amendment of June 12, 1883, did waive its right to payment of any royalty until after its collection by appellee, yet it was appellee's duty under its contract to use due diligence, lawful means and its best endeavors to collect royalty. In this way only can this 7th section of that amendment and the contract between the parties be construed so as to give force and effect to all its provisions.

It is immaterial what negotiations passed between appellant and appellee as to the amendment of June 12, 1883. The bill alleges, and the answer admits, that the original contract as modified August 7, 1879 remained in force until the modification of June 12, 1883, and by section 8 it was stipulated that appellee should continue to pay royalty in the same "manner *and on the same terms and conditions*" as provided in "the contracts now existing between the parties." When read in the light of these covenants there can be no controversy or doubt that appellee was bound to exert its "best endeavors * * * to use due diligence and all lawful means" to collect such royalty, and that the contract was not changed in that respect.

If there is any doubt as to the construction of §7 and §8 it should be borne in mind, that this instrument was drawn by appellee, and the language used is that chosen by its own counsel, and the court should give it that construction which is most favorable to appellant.

It is stated in *Voorhies* v. *Atler*, 29 Iowa, 49, that "Due diligence generally, and in the absence of any special facts, would require suit to be instituted at the first regular term of the court after maturity, and the obtaining judgment and execution thereon, as soon as practicable by the ordinary rules and practice of the court."

The Court in *Hoffman* v. *Bechtel*, 52 Pa. St., 190, said: "Due diligence cannot mean less than such as a vigilant creditor ordinarily employs to recover a debt for which he has no other security than the obligation of the debtor * * * unless it be shown that legal process would have been fruitless, it is the creditor's duty to employ that process, without unnecessary delay."

In *Rhodes* v. *Seymour*, 36 Conn., 1, where a party guaranteed a note to be collectable, the Court held there must be a demand and an effort to collect by suit. Due diligence meant both.

But more than due diligence was required of appellee. It covenanted to use "due diligence *and lawful means*," to collect this royalty. And in addition to this, appellee also covenanted "to use its best endeavors towards that end." Not only was due diligence and its "best efforts" required of appellee, but all lawful means; that is, proper means. Proper means had been held to be an institution of suit.

Hoard v. *Garner*, 10 N. Y. 261.

The burden is on appellee to show that suit would have been unavailing. It was, therefore, the duty of appellee, under its contract,

if the royalty was not paid, to institute suit. It may be true that some of the companies whose notes appellee took failed. It is not shown, however, that the royalty could not have been collected by lawful means, or by due diligence when the royalty became due and was payable, which was monthly.

The Mutual Mfg. Co. continued to do business for seven months after the date its first note became due. The National Wire Co. for eight months; the Novelty Mfg. Co for six months, and there is no evidence that the Schreffler or Van Fleet, or any of these parties had no assets out of which a judgment could not have been satisfied, if proceedings had been instituted in apt time therefor. But instead of instituting suit against the Mutual Mfg. Co., the Novelty Wire Co., and the Novelty Mfg. Co. their notes were *renewed by appellee*. In the case of H. B. Scutt & Co. Limited, appellee took their notes "indorsed by parties *satisfactory*" to it (R. 368.) and appellee still holds these notes or their proceeds. As Calkins wrote April 3, 1882, it was proper for appellee, if it chose, to accept the note in payment, but that was a matter entirely optional with appellee, as is shown from the fact that Stiles and Calkins, licensees, in November 1882, desired appellee to take their individual note in settlement of the October royalty. Appellee declined but wrote: "At some other season of the year, when we are not piling up manufactured goods for the Spring, it would be convenient for us to oblige you." (R. 600.)

When appellee, in October 1882, took the notes of Scutt & Co., and others in settlement of royalty, appellant at once demanded cash of appellee and not notes. (R. 188.) Appellee continued, however, to take notes; appellee accepted notes in lieu of cash in payment of royalty. This it did of its own volition. If any licensee refused to pay cash, appellee had it in his power to terminate such license by giving thirty days' notice in writing. (R. 362, § 7.)

Appellee, in accepting notes in payment of royalty did not comply with its duty towards its principal, appellant.

It is well settled, that an agent authorized to collect has no authority to receive anything but money in payment.

Story on Agency, §§ 98, 99.

"An agent authorized to collect a payment or receive payment of a debt, can not bind his principal by any arrangement short of an actual collection and *receipt of the money*. He can not, therefore, take in payment the note of the debtor, payable either to himself or his principal, or the note or bond of himself, or of a third person, or of a draft, or order at a stranger."

Meecham on Agency, § 375.

And the cases cited fully sustained the text.

In *Ward* v. *Smith*, 7 Wall., 452, the bank took certain bonds in part payment of a collection sent to it.

Mr. Justice FIELD says: "That the power of a collecting agent by the general law, is limited to receiving for the debt of his principal that which the law declares to be a legal tender, or which is by common consent considered and treated as money, and passes as such at par, is established by all the authorities. The only condition they impose upon the principal, if anything else is received by his agent, is that he shall inform the debtor that he refuses to sanction the unauthorized transaction within a reasonable period after it is brought to his knowledge."

Certainly, appellant by and in its letters of April 4, 1882; October 6, 1883; February 2, 1884; May 12, 1884, and again in August, 1885, insisting that if appellee took anything less than cash, it was not complying with the terms of its contract, was not sanctioning the acceptance of such notes in lieu of cash.

Appellant took some evidence as to these various accounts settled and not collected. But such evidence could not be final until the Master, under the order of reference, made a full inquiry. Appellee's books show the terms of every settlement and account. (R. 484.)

The question presents itself, whether in the case at bar, appellant is entitled to have an accounting under an order of court as to these various accounts, aggregating nearly $100,000., settled without consultation with and in utter disregard of appellant's property rights?

Was the court below right in refusing appellant an account? To so hold, would permit any agent to traffic the property of his principal for the agent's own profit and advantage, and to compel the principal to calmly submit, no matter how inequitable the conduct of the agent?

Delay in Bringing Suit.

We have discussed the question of laches in connection with the matter of the release of bonus and back damages.

Appellant's contract expired February 12, 1885. This suit was instituted July 2, 1887. When appellant's contract expired there was still standing upon its books memorandum relating to royalty upon the manufacture of numerous of appellee's licensees, amounting to upwards of $100,000. Much correspondence passed between appellant and appellee after its termination relative to these accounts. Many of these letters have been referred to when discussing the matter of settlement with the individual licensees.*

The reason for this delay is fully explained, and was for the purpose of enabling appellee to exercise good faith in making such collections. This good faith it has not complied with. During this time appellee paid appellant $26,839.65 on account of royalty which accrued prior to February 12, 1885. (R. 634.) Repeatedly, between the expiration of the contract and the commencement of this suit, did appellee assure appellant that it was attempting to collect the balance of such royalty.

Because Calkins testified, that the royalty due from the licensees, and which were withheld on account of the Haish purchase were held in abeyance appellee's counsel says appellant was not exercising good faith towards appellee. What other course could appellant pursue? It had no authority to and could not institute suits against such licensees. Not to have waited on appellee a reasonable time would on the contrary, have been the exercise of bad faith towards appellee. Appellee pursued the only proper course.

Stiles & Calkins.

Appellee also seeks to build up an estoppel against appellant, by reason of acts done by Aaron K. Stiles and John W. Calkins, composing the firm of Stiles & Calkins, who had a license from appellee and I. L. Ellwood, dated July 27, 1881.

---

*These letters are those dated February 23, (R. 192); February 26, (R. 193); July 7, (R. 603); August 7, (R. 231); in 1885; January 13, (R. 196); January 21, (R. 196); May 1, (R. 231); October 29, (R. 550); Nov. 9, (R. 232); Nov. 13, (R. 548); Nov. 27, (R. 198), and Dec. 1, (R. 198), in 1886.

The firm of "Stiles & Calkins" made written application as individuals to appellee for a license. (R. 669.)

Stiles & Calkins, as licensees of appellee, reported the amount of monthly sales of such firm to appellee: appellee reported the sums to and paid appellant, when due, the stipulated royalty upon all the sales as such firm.

The correspondence between that firm and appellee was written on paper having letter-heads of and signed "Stiles & Calkins." As a firm, "Stiles & Calkins" made repeated contracts for the purchase from appellee of plain wire used by it in its business, and settled for their merchandise account with appellee in that name, and for which appellee accepted the notes of "Stiles & Calkins." Under that name also they advertised and did business with persons other than appellant. (R. 157.) It is true said firm had their office in the same building with appellant; but for the use of such office they paid rent to appellant. Their books were different and distinct, and were kept by their own clerks, who were not in the employ of appellant. (R. 131.)

They manufactured a different style of wire, and upon their own machines. (R. 157.) Their business and letters were kept and were entirely distinct. (R. 140.)

The sole and only connection with appellant was the fact that the members of Stiles & Calkins were also stockholders of appellant, and the nature of their business similar. Appellee recognized every act done by them as being distinct from appellant. On March 24, 1883, when appellee was considering the advisability of requiring its licensees to stamp their wire, Washburn wrote to appellant asking if it would not stamp its wire so that no wire might be exempt but the wire of itself and I. L. Ellwood & Co., "*as licensees* confound your concern with Stiles & Calkins." (R. 231;) Appellee never confounded that firm with appellant.

It is recited in their license, "13th, This licence is *personal* to Aaron K. Stiles and John W. Calkins and not transferable or assignable" (R. 156.) Is not appellee estopped by this grant from setting up the defense that this license was for the benefit of appellant?

Their license provided (as did all appellee's licenses) that they would not directly or indirectly manufacture barb wire for any other party or parties. That Stiles & Calkins, as licensees of appellee and

Ellwood, were separate and distinct concerns, was settled at the time such license was taken. That there might be no mistake in regard to it, appellee and Ellwood gave Stiles & Calkins a writing, bearing date July 27th, 1881, (the same date as the license), reciting; That, Whereas, Stiles & Calkins "have this day taken and accepted a license" from appellee and Ellwood, and whereas, they "are also stockholders and officers in (appellant) a licensee corporation of" appellee. Now, therefore, "We hereby agree that the continuance of said Stiles & Calkins in the said relations to said companies shall not be construed as a violation of the terms and conditions of said license to said" Stiles and Calkins. (R. 216.)

Appellee procured from "Aaron K. Stiles and John W. Calkins" a release as to the claims arising out of the Haish purchase, the same as from every one of its other licensees.

In the monthly reports of wire sold, appellee required its licensees to give the names of the parties to whom such licensees sold barbed wire for the month for which the report was made. (R. 361, § 4.) These reports showed that the sales were made by Stiles & Calkins, and it was on these sales they paid royalty to appellee. These reports show sales to appellant, among others of its customers. (R. 131.)

Thus, month by month, as reports were made, wire sold and business transacted with appellee, royalty paid and receipted for, there was a constant recognition by it of the separate existence of appellant and that firm.

Their separate identity was never questioned by appellee.

Stiles & Calkins, as licensees, paid appellee royalty to the amount of $54,345.44; ($49,619.18 prior to and $4,726.26 after February 12, 1885. R. 631.) Of this sum, $9,656.61, was paid by appellee to appellant as royalty due it under the contract set out in the bill of complaint. (R. 410.)

The signing of the modified licenses by Stiles & Calkins in 1883 and 1885 (the latter *after* appellant's contract expired) was for and in consideration of the reduction of royalty to it by appellee to 30c. (R. 374.) and 12½c., (R. 631, 635), respectively. Nothing in either such modified license can in any way effect appellant. If only on agreeing to the conditions named, appellee would reduce its royalty, that was then a matter with which appellant was not concerned. If

the firm of Stiles & Calkins waived any rights, which they, as licensees, might have against appellee by reason of the purchase of the Haish patents, such act was the separate act of the members of that firm alone, whose separate existence was always recognized by appellee.

Appellant insists that no act done or declaration made by either Stiles or Calkins, while acting for or in connection with the firm of Stiles & Calkins, is binding on it. In no matter connected with their business, as licensees, did they communicate with the other directors of appellant, or impart the information on which an estoppel is sought. Appellee knew that Stiles & Calkins were but *two* of appellant's *five* directors.

Information acquired by Stiles & Calkins did not bind appellant, unless they communicated such information to the other officers of appellant company.

Morawetz on Cor., § 540 a.
Farmers' Bank v. *Payne*, 25 Conn., 444.
Farrel Foundry Co. v. *Dart*, 26 Conn., 376.
Gen. Ins. Co. v. *U. S. Ins. Co.*, 10 Md., 517.
1st Nat'l Bank v. *Christopher*, 40 N. J., L. 435.
Stanton v. *Berg*, 26 Mich., 44.
De Kay v. *Hackensack Co.*, 38 N. J., Eq. 158.
Powles v. *Page*, 3 C. B., 16.
In re. Marseilles Ry. Co., L. R., 7 Ch. App., 161.
In re. Ebbr. Vale Co., L. R. 8 Eq., 14.

The well-considered case of *Merchants' Bank* v. *State Bank*, 10 Wall., 604 (with such light as the able W. M. Evarts, Sidney Bartlett and Benjamin R. Curtiss could give in their argument to aid the court), rightly holds, that a person dealing with agent of a corporation in good faith in a transaction not *ultra vires*, and without knowledge of the want of authority of such agent, such corporation is bound by such acts, although defect or want of authority actually existed.

But none of the cases hold where, as here, appellee was fully informed of the terms (by receiving and making for itself a copy) of appellant's by-laws (R. 254), defining the extent and powers of its officers to make contracts, and where every contract covering a property right was first submitted to and passed upon by appellant's di-

rectors, and where the pleadings admit such contracts to be in full force during their term, that declarations made by an officer under those circumstances could bind appellant.

Appellee seeks to build an estoppel against appellant by reason of certain actions of Stiles as president of the Manufacturer's Association after January, 1881.

For this purpose appellee has put in evidence much correspondence written by Stiles after January, 1881, which necessitated the introduction by appellant of other letters of Stiles, in explanation. These letters were written by Stiles while president of and in connection with the Manufacturers' Equitable Association.

Shortly after appellee commenced granting licenses and as early as February 10, 1881 (R. 234), apprehending a difficulty of maintaining the schedule of prices as fixed by appellee, under the terms of its license, its licensees organized an association whose principal object was devising means whereby such price-lists could be maintained.

At the request of Ellwood and appellee, Stiles was chosen president. Neither appellant, appellee nor I. L. Ellwood & Co. were members of that organization. (R. 138.) The only members of such association were the licensees of appellee. (R. 264.)

This association was a distinct organization or corporation, under the laws of the State of Illinois. In May, 1882, appellee granted to such association the right to distribute 10,000 tons of annual tonnage among the members of such association. (R. 494.) Washburn says appellee had a contract with that association dated about Sept. 1, 1881. (R. 489, 594.) On November 25, 1882, appellee paid that Associatiou the sum of $9,329.12 on account of and as its share of the expense of conducting such association. I. L. Ellwood also paid a like amount. (R. 609.)

Appellee was kept advised continuously of the doings of that association. Appellee and Ellwood appeared before the Association. (R. 127, 134, 138.) Resolutions were passed by its directors and mailed to appellee. (R. 586.) Monthly reports of its proceedings were printed and also mailed appellee. Committees were appointed who visited and consulted with appellee. (R. 524, 590.) And appellee considered itself bound by its regulation. (R. 613.)

In figuring up the amount that became due from or to the various members, or appellee, it was necessary that reports should be made by appellee to that association of amount manufactured by its licensees and inquiries were made time to time to appellee by that association, in regard thereto. (R. 531, Ex. 52; R. 609, Ex. 238½; R. 494.)

It must be evident from the correspondence that one of the main objects of this association was as stated by appellee's agent, Cragin, in July, 1881, that it was through this association appellee attempted to control the selling price of barb wire, which right it reserved under the sixth section of its licenses. (R. 226.) This is apparent from Exhibits, Washburn Nos. 50, 51, 53 (R. 530); (R. 532); 57 (R. 534); 175 (R. 585); 191 (R. 593); 194 (R. 595.)

This organization had an office in the Central Music Hall in Chicago, where its business was transacted, which office was distant from the office of appellant nearly a mile. (R. 127.)

After January, 1881, Stiles devoted most of his time to the association (R. 267), until it ceased doing business in 1883. (R. 138.)

He was paid a salary for his services, as such president, by the association. (R. 149.) He took and retained the position at the request of appellee and Ellwood. (R. 264.) Early in March, 1883, he wrote appellee that he would have resigned but Ellwood "persuaded me to continue" (R. 531), and in May following he wrote again that he retained the presidency solely at the request of Ellwood. (R. 532.)

In the correspondence between him and appellee such organization is referred to as the "Association," and, also, the "Manufacturers Equitable Association." Washburn testifies that wherever in his testimony or in the letters, in evidence, subsequent to February, 1881, the expression "the Association" is used, he understood such reference meant the Manufacturers' Equitable Association. (R. 494.) Washburn also says, that the correspondence signed "A. K. Stiles," was answered by appellee and "addressed by us sometimes to A. K. Stiles, sometimes to A. K. Stiles, 23 Central Music Hall, Chicago; sometimes A. K. Stiles, Thorn Wire Hedge Company, or care of Thorn Wire Hedge Company, and sometimes as president of Manufacturers' Equitable Association, and sometimes A. K. Stiles, President. The letters were so addressed indiscriminately and had reference to the same general line of business." (R. 478.)

On March 24, 1883, in answering a letter of Stiles, relating to business of the Manufacturers' Equitable Association, appellee, by mistake, addressed the letter to appellant, whereupon the latter wrote: "Your esteemed favor of the 24th, addressed to the Thorn Wire Hedge Company, but mainly *on matters pertaining to the association*, and meant, we presume, for Mr. Stiles as President of the Association." (R. 227.) Appellee answered on March 30, 1883: "The letter you referred to *was intended more particularly for Mr. Stiles*, but Mr. Stiles writes on *so many different* letter-heads and under so many different *styles*, as we are sometimes *in doubt*, how to direct him." (R. 229.)

On April 5, 1882, appellee wrote to Stiles as President of the Manufacturers' Equitable Association: "When you write as 'Pres.' on the Thorn Wire Hedge Co, letter sheets, in what capacity are we to understand you present yourself? As Pres. of the Ass'n or of the Thorn Wire Hedge Co? You must remember a person bearing so many honors as you, must be quite definite in writing his signature, otherwise we shall hardly know, when addressing him — as, for instance, your good self as President — what company we are really writing to." (R. 579.)

On April 12, 1882, in answer to this letter, Stiles requested appellee to address his letters relative to this association, in care of appellant, as "I am liable to write on anything I get hold of first." (R. 586.) The following day Stiles again wrote to appellee: "Please address me at No. 19 North Clinton St. (R. 587), the office of appellant. In response Washburn wrote, "We will address you in future No. 19 North Clinton St., *and thank you for the suggestion*." (R. 588.)

Appellee's correspondence relating to that association was subsequently generally addressed to Stiles, at No. 19 North Clinton St.

Washburn testifies: "Stiles' habit having been, *from first to last*, to use the printed and lithograph letter-heads of his own company, that is, the Thorn Wire Hedge Co., and the business afterwards involving as it did so constantly our united interests, it does not occur to me *his use of the company's letter-heads* at this particular time *excited any attention on our part*, and was simply taken *as a matter of course*." (R. 465.)

With such testimony can there be any doubt in what capacity Stiles was acting and that appellee fully understood his position?

Washburn testifies on cross-examination: "I can not answer yes

or no whether appellee did any act or entered into any obligation whereby it rendered itself liable to appellant, by reason of the fact" that Stiles used the letter heads of appellant. (R. 466.)

When asked, "What agreement did it (appellee) enter into, or obligation to pay did it make, or what money did it pay out, from the fact that such letters were written having (appellee's) letter-heads thereon?" Washburn is unable to give a single instance. (R. 473.) It was never misled by such fact.

Stiles testifies that he and Washburn "had talks about (his) letters very frequently. Always in meeting him some subject of the correspondence came up." (R. 254.) Washburn wrote he would see Stiles and talk over these matters. (R. 526.) Stiles says in reference to these matters "I was acting for myself *and* the Manufacturers' Equitable Association" (R. 254), and not appellant. Stiles says it was only since the institution of this suit that he showed these letters to Calkins. (R. 239.)

The correspondence shows that all these matters came up before and were settled by the Board of Directors, Stockholders or Executive Committee or other meetings of that association. (R. 524, 530, 584 to 596.)

Calkins says, none of these letters were ever brought before the board of directors of appellant, and were not shown him until February, 1888 (R. 127), after the institution of this suit.*

Appellee recognized Stiles' position as being different in these two positions, and understood when using paper with these different letter-heads, that Stiles as an individual was representing the association and not appellant. It corresponded with Stiles knowingly and intelligently. In the only instance of this mass of correspondence where any mistake occurred, appellee immediately acknowledged that it intended the letter for Mr. Stiles, *personally*. (R. 229.) When Stiles' connection with this association ceased, in 1883, his personal letters ceased also.

That Stiles, in the capacity of such president, was acting for appellee's special interest, is shown by Washburn's letter of March 21, 1882, to Stiles: "We notice the delicacy of your position, but at the

*The principal of these letters are Washburn Exhibits 41 to 54 (R. 524 to 533), 59 to 64 (R. 535 to 537, 162 (R. 579); 165 to 202 (R. 581 to 598); 228 to 230 (R. 607).

same time can not help recognizing the great importance of your continuing to keep just the position you do, not only for your interests, BUT FOR OURS, *and that for considerations entirely outside of the fact that your pecuniary interests are what they are.*" (R. 585.)

Stiles testifies: That he spent most of his time, after its organization, at the rooms of the Manufacturers' Equitable Association, and that in the evenings or mornings he dropped into the office of the Thorn Wire Hedge Co. and then dictated letters to their stenographer. (R. 255.) He was very busy at that time, and a great many of these letters show that they were not even signed by Stiles, but by his stenographer. Washburn states that in matters relating to the patent business of the Thorn Wire Hedge Co. he addressed the letters to Stiles. This is only partly true. He did address letters relating to patent business to Stiles, but that was by reason of his "personal" contract with appellee prior to January, 1881, and because he was an officer of the Manufacturers' Association after its organization, and not by reason of being an officer of appellant. Appellant never had any patent suit relating to barb wire. Appellee alone conducted such patent suits, and, by written agreement, at its own expense.

Controversies frequently arose, from time to time, and correspondence passed between the parties as to matters arising under their contracts.*

Correspondence relative to these and all matters of every name and nature, during the entire continuance of the contracted relations between the parties, were directed to appellant, or to one of its officers, *as officers of such Corporation.* This correspondence related

* Correspondence as to the manner of transmitting royalties when due, etc.; proposed change in the manner of transmitting royalties; whether or not under the terms of such contract appellant, in the use of its machinery for making barb wire, was infringing the Glidden & Vaughn letters patent of appellee; whether or not appellee was remitting the royalty due upon the manufacture of I. L. Ellwood & Co. and Glidden & Ellwood, prior to July 3, 1876; proposed reduction of royalty by appellant to 7½c. per 100 lbs.; as to royalty relating to loose barbs; controversy over bad condition of plain wire in July, 1881; correspondence relative to the royalty on the Brinkerhoff wire being included in the regular reports of royalty; correspondence relative to appellant paying a proportion of the inspection fee of appellee's licensees; correspondence as to the royalty of the Ohio, Steel Barb Fence Co. under first license; correspondence relative to the condition of accounts of the various licensees and money claimed to be due by appellant under its contracts; correspondence relative to back damages; correspondence relative to the purchase of wire from appellee used in the manufacture of the Kelly wire, which accounts were settled monthly; correspondence relative to alterations and explanations of the royalty account, etc.

to the business of appellant and was thoroughly understood by appellee. Aside from these matters appellant had no dealings with appellee.

Stiles states Calkins always conducted correspondence of appellant unless there was some special business they required him to write about as president. (R. 255.)

Calkins states that he has made an examination of the letters passing between appellant and appellee in reference to their business from 1876 to 1885, and those letters varied in number from four to twenty per month, and that during the entire time "I find, not to exceed eight, that are addressed to the 'Thorn Wire Hedge Company, A. K. Stiles, President' or, 'A. K. Stiles, President of the Thorn Wire Hedge Company.' There are a few directed to the Thorn Wire Hedge Co., J. W. Calkins, Secretary, and I would say not twenty, all together, but what are addressed to the Thorn Wire Hedge Co." (R. 128.)

Stiles testifies that all this correspondence was private. (R. 239.) He had his own private letter books at his house as well as at his office during all this time. He and Calkins both say that Calkins saw none of this private correspondence. From these private books many letters in evidence were read. Millington also says he knew the correspondence of Stiles with appellee was private. (R. 661.)

Appellee is *unable to point out or state*, that it entered into any obligation, paid out money or did any act by reason of any such act of Stiles.

It is impossible to build up an estoppel against appellant from any act of Stiles, by reason of his acting and being President of a separate corporation. Each of Stiles' acts mentioned in the correspondence relating to that other organization appellee states and admits that it was conversant with and thoroughly understood.

While Stiles was acting as appellee's agent, either under or "under the impetus" of his agreement of July 1, 1876, he was not the representative of appellant and it was not bound by any such act.

Nor can appellee claim that Stiles was acting as an officer of appellant when he was acting as President of another corporation, under a regular salary from such other company.

It was simply because of Stiles' personal qualifications that he was sought after by appellee to fill this position. It was not by reason of any contract with appellant, or by reason of being connected with appellant. He did not presume to act for appellant in such position. Suppose appellant had transferred the contract set out in the bill of complaint prior to January 1, 1881, as it had the power, under its terms, to do, (R. 4, § 5) and this suit had been brought by such assignee. Would the acts of Stiles, while an officer of such Association, have been binding on such assignee? Clearly not, although appellant continued to manufacture under its *license*. He would not have acted differently even if he had not been connected with appellant. The President of such Association might as well have been any other person than Stiles, provided he had the personal qualifications to fit him for the place. What acts Stiles did, or admissions made as such President are the acts of him, as an individual, and not as an officer of appellant, and are not binding upon it.

Admissions made by officers, when not acting on behalf of corporation, not evidence against corporation.

Taylor on Private Cor., § 210.
Cook on Stockholders, § 726.

"In absence of anything in the act of incorporation, bestowing special power on the president, he has in his mere official station no more control over the corporate property and funds than any other director." Taylor on Private Cor., § 236.

A person who is agent for two parties *cannot*, in absense of express authority from each, *represent them both*, in a transaction in which they have contrary interests. This rule is based upon the same reason as the rule which prohibits an agent from representing his principal, when his personal interests are opposed to his duty." Morawetz on Cor., § 528.

When speaking of an officer acting for two separate corporations, it is said in Taylor on Private corporations, § 641:

"The acts and declarations of the agent while acting as the agent of one of the corporations can create, at least in favor of that corporation, no estoppel binding on the other corporation, whom he may also represent. Likewise, if the two companies have some common directors or common solicitor, does not effect one company with notice of acts done or knowledge possessed by the common directors or solicitor as directors or solicitor of the other company."

Citing:

Penna. R. R. Co.'s Appeal, 80 Pa. St., 265.
In Re Marseilles Extension R. R. Co., 20 W. R., 254.
DeKay v. *Hackensack Water Co.*, 30 N. J. Eq., 158.

In Pennsylvania R. R. Co.'s Appeal, one Thompson was president of the Pennsylvania R. R, Co. and also of the Junction Railroad Company, and it was sought to hold the Pennsylvania Co. by acts done by him when acting as president of the Junction Company.

Mr. Justice PAXSON says:

"His acts or declarations as president of the latter company could no more bind the former company, than the acts or declarations of a stranger. As president of the Pennsylvania Railroad Company he was its chief executive officer and general agent in the matter of operating its lines, under the power contained in its charter. He could not, as such agent, lawfully give away a dollar of the company's property, an inch of its track, or the least of its franchises. What could he not pass by his direct act, he certainly could not pass by way of estoppel. To concede that any such power exists in the president of a corporation, by virtue of his office, would be as disastrous in its results as unsound in point of law. No authority is needed for so self-evident a proposition."

There was no law to prevent Stiles becoming a stockholder or officer in any other corporation, even though it were a competitor.

Men engage every day in kindred business, carried on by different corporations. In some of which they are officers, and in some not. To hold that statements of such person made upon every occasion would bind a corporation in which he is a stockholder, or even an officer, when he was not, in fact, then representing such corporation would carry the doctrine of admissions beyond all precedent and open the doorway to incalculable fraud.

There was no difficulty at bar for appellee to show what the board of directors of appellant did; and appellee's counsel repeatedly introduced in evidence the actions and procedure of such board.*

Appellee had full knowledge of the by-laws and powers of Stiles and Calkins (R. 123, 154, 170, 254, 263) and are bound by their terms.

Beach on Private Corporations, §§ 323, 383, 384.

---

*Proceedings of the board held May 11 and 13, 1876 (R. 168); July 2 and Dec. 2, 1876, and January 2, 1877 (R. 169); January 16 and April 5, July 5, and October 4, 1886. (R. 173, 233, 234.)

Appellant's connection with the business of appellee should be fully considered in construing the contract of the parties and determining the various questions presented upon the parol testimony of acts of appellant's officers which was gone into to such a great length by appellee's counsel.

Washburn gave to appellee as the reason for buying the barb wire patents: that they "had a large wire mill, the largest in the United States, and *they wanted to increase their output of wire.*" (R. 254.)

"We wanted to get into the barb wire business and thought it would make a good business for us if we shall take hold of it, *a good output for the wire* we were manufacturing and in condition to manufacture." (R. 458.)

That such anticipated increase of the "output" of plain wire was fulfilled, is shown in the fact that while the amount of barb wire used in 1875 was 300 tons, in 1885 it was 150,000 tons. (R. 436.)

Appellant was not interested in the purchase of the Putnam machine patent, by appellee. That was consummated in September, 1875. We have shown that its purchase of the Putnam, Hunt, Smith, Glidden and Kennedy patents were each separate, distinct, independent transactions, and in no way connected with or dependent on each other, or upon its purchase of the Kelly patents.

What contracts appellee had with I. L. Ellwood, Kennedy, Glidden, Putnam, which rendered it necessary to unite all those letters patent under one license, is not shown. Certainly there is noihing shown in any contract with appellant, which rendered such a course necessary.

Every contract relating to the payment of royalty, between appellant and appellee, is in writing and in evidence. (R. 159, 469.)

Prior to its purchase of appellant's patent, and before the execution of the contract, appellee's counsel, Dodge, carefully examined and made copies, of appellant's by-laws, for themselves (R. 123, 154, 170, 254, 263). They therefore knew the power and authority of appellant's various officers.

In dealing thereafter with appellant during the continuance of the contracts in evidence, no act of any of its officers, which is not in accordance with the powers prescribed in such by-laws, should be held or construed to work or constitnte an estoppel or waiver of any of

appellant's rights. Questions which might arise as to the power of appellant's officers, dealing with third parties without any notice of their powers, *do not present themselves in this record.*

In the course of its dealings with appellant, appellee repeatedly recognized that it was the board of difectors of appellant who were dealing with it and not any individual person, whenever any change or modification in its contracts were desired. In the fall of 1877, difficulty having arisen about remitting royalty upon the manufacture of I. L. Ellwood & Co., appellant's secretary was directed to proceed to Worcester, by the board, and endeavor to secure settlement. (R. 221.) Calkins visited appellee in pursuance of such resolution. (R. 124.) The secretary informed appellee, in substance, the action "of the board of directors." (R. 124.) It sent a copy of its resolution of March 3, 1879, to appellee. (R. 129.)

August 23, 1880, appellant wrote to appellee that at a "board meeting of this company" inquiry was made, etc., and suggested that due diligence had not been used in collecting royalty of the Ohio Fence Co. and H. B. Scutt & Co., "these both parties having been collectible as was believed by this board." (R. 182.) Appellee answered: "We trust you will assure your board, etc." (R. 225.) October 15, 1884, in answer to appellee's letter of October 13, of remitting for royalty claimed to be due it from appellant by reason of appellee's having been compelled to pay back the same on account of the Haish purchase, informs appellee that such matter would have to be brought before the Board of Directors. (R. 192, 54[illegible]) And the matter of bringing this suit was determined by the Board. (R. 233.)

Appellant's by-laws (which were furnished appellee in 1876) provide:

"Sec. 8. It shall be the duty of the president to exercise a general supervision over the entire business of the company. * * * He shall execute all bonds, contracts or other instruments required to be made or executed for and on behalf of the company, which shall also be signed by the secretary.

"And it shall be his duty to present to the board of directors at each meeting of the board a report briefly stating the nature of each bond, contract or other instrument executed by him since the last meeting, *provided he shall not execute such bond, contract or other instrument without having been first authorized to do so by the board.*" (R. 218.)

Appellee, recognizing the fact that the President and Secretary, under such by-laws, could not, of themselves, make such contracts, requested that action be taken by such board upon the contract and various papers executed, bearing date July, 1876. Appellee's counsel, Dodge, drew the forms of the two resolutions to be passed by appellant's Board of Directors, authorizing and confirming the sale and contract. (R. 263, *508.)

Appellee having full notice of this requirement of the Charter must be held to have contracted upon the express and not the implied powers of its officers. *Cook on Stockholders*, §725.

Says Mr. Justice CAMPBELL in *Pearce* v. *Madison etc. R. R. Co.*, 21 How., 441, "Persons dealing with the managers of a corporation must take notice of the limitation imposed upon their authority by the act of the incorporation."

Citing:

Head v. *Providence Insurance Co.*, 2 Cranch. 127.
Bank of Augusta v. *Earle*, 13 Pet., 519.
Perrine v. *Ches. & Deleware Can. Co.*, 9 How., 172.

Pearce v. *Railroad Co.* was subsequently cited and approved in

Penn. R. R. Co. v. *St. Louis R. R. Co.*, 118 U. S., 290.
Pittsburgh, C. & St. L. R. R. Co. v. *Keokuk & Hamilton Bridge Co.*, 131 U. S., 371.
Central Transportation Co. v. *Pullman's Car Co.*, 139 U. S., 41.

While in the detail of manufacturing and selling barb wire, Stiles and Calkins conducted the ordinary business, yet, in the matter of abatement or change of rate of or release of royalty, a right of property in which every stockholder was interested, they could not, and did not purport to act without express authority from the Board of Directors, and this fact appellee well knew. Every modification of the contracts was consummated only after formal action of appellant's Board of Directors. (R. 85, 124, 220, 221, 222, 223.)

Regular minutes were kept and read. (R. 154.) Gary Calkins says: "All important business was transacted in the board meetings. * * * The records were read at each meeting." (R. 323.)

Whenever questions of difference between the parties arose, as they did from time to time, the *contracts* were always referred to by the

parties as the only means to determine the rights of the parties. (R. 180, 185, 186, 187, 224, 232, 509, 513, 545, 547, 604, etc.) This is recognized in all the correspondence. Appellee's counsel recognized the fact that appellant's directors were the parties who acted for it and offered in evidence numerous of their doings from their records. (R. 168, 169, 233, 234.)

Appellee did not always act as an agent properly in remitting to his principal. In November, 1877, it was necessary for appellant, to submit its contracts to counsel, and threaten appellee with litigation to recover royalty on wire manufactured by Glidden & Ellwood, and I. L. Ellwood & Co., prior to July 3, 1876, which had been delayed for a year and a half after the same was due under the terms of its contract. (R. 180, 224.) And again, in May, 1881, appellant was compelled to resort to threatened litigation to compel appellee to render accounts of moneys collected and justly due under the terms of its contract, but which course it was compelled to abandon for fear of imperiling future sums of money to become due under its contract. While the relation between appellee and Aaron K. Stiles personally were always very intimate, still a cursory examination of the correspondence in evidence will show that its relations with the other of appellant's officers were strained. The only business under the contracts in evidence was the transmission of royalty. Aside from what arose out of the contract, and the purchase of plain wire, there was no connection with appellee's business.

Occasionally appellant was asked by appellee to bear some part of the expenses of advertising, and this was borne only after an agreement made for that express purpose.

It is true appellant contributed to part of the cost of placing inspectors among appellee's licensees for the purpose of seeing that such licensees reported the full amount of barb wire made and sold and stamping such wire. But this was in pursuance of a definite understanding, and the correspondence relating thereto is in evidence,* and shows that the Manufacturers Equitable Association passed a resolution requesting appellee, under the terms of its license, to cause the wire made by such licensees to be stamped and for this purpose to employ the necessary inspectors. (R. 535.)

---

*(R. 528, 535, 536, 595, 597, 227, 536, 537, 539, 540.)

Appellee acted upon such resolution, and appellant bore the proportion of the expense which it promised to pay.

We fail to see how these matters affect any issue in this case.

Appellant never assumed more than a giving its opinion as to any act of appellee and then only when asked by appellee, and such opinion which was seldom given was acted upon or rejected by appellee as it saw fit.

Were it not for the fact that appellee had, outside the contract of July 3, 1876, a *determinable* license from appellant to manufacture barb wire, and appellee's "*personal*" contract with Stiles, and Stiles' *personal* employment by the Manufacturers Equitable Association, but few of the letters in evidence, outside of the letters relating to the royalty reports, would have been written. There would have been no occasion for such letters.

In the preliminary contract of June 29th, 1876, it was provided that "licenses should be made back" from (appellee) to (appellant) under the patents assigned by appellant to appellee. Two licenses were issued to appellant, one, under the Kelly patents for "a single factory" was not available to members of appellant, "as individuals and is not transferable," and "this license shall be forfeited by the non-compliance with its provisions by the licensees." (R. 211.) The other was a license granted under the Mitchell machine patents and was limited to "a single shop or factory." (R. 175.)

These licenses differ from the contract set out in the bill of complaint, in that, the latter contract is assignable.

This capacity, as licensee, is recognized by appellee during the entire term of the contract.

In the supplemental contract of December 2, 1878, appellee "does hereby license (appellant) to use all of the patents owned and controlled, wholly or in part," by appellee, and further describes appellant as "one of its licensees." (R. 7.)

When the original contract was approved by the board of directors, August 7, 1876, the resolution ratifying such contract (which resolution was drawn by appellee's counsel, Dodge (R. 263), recites: the execution of these "licenses." (R. 220.)

In the supplemental contract of August 7, 1879, appellee again

refers to this relation and describes "and a certain license, dated the 3d of July, 1886." (R. 10.)

Appellant advertised its wire as "The Kelly barb wire *licensed* under the Kelly patents, and all patents dated before then." (R. 645.) "We have sold our patents to (appellee) and have taken license from them." (R. 673.)

When Millington was on the road selling the wire for appellant, it held out "as one of the inducements to the parties buying wire from them, the fact that the Thorn Wire Hedge Co. was selling licensed wire." (R. 659.) On October 10, 1878, appellee wrote to appellant, that in making the Kelly wire it was infringing their Glidden and Vaughn machine patent, and that appellant must arrange with appellee for a license. (R. 225.) Appellant was *compelled* to take license from appellee under this, and the Putnam among other patents, by the supplemental contract of December 8, 1878, and the consideration paid for this license was an abatement of *one-third* of its *entire* royalty.

Does this look as if appellant controlled in any manner appellee's course of business?

On December 31, 1880, appellee wrote, "The only licenses now issued are to yourselves," etc. (R. 440.)

When issuing the license to Stiles & Calkins, July 27, 1881, appellee executed a paper reciting: "The Thorn Wire Hedge Co., of Chicago, Illinois, a licensee corporation of Washburn & Moen Manufacturing Company." (R. 216.)

In each of the licenses issued by appellee to H. B. Scutt & Co. and the Ohio Steel Barb Fence Co. in 1878, appellant was described as one of its licensees. (R. 293, 308.) And when furnishing in evidence the names of the licensees below, the list commences with "July 3, 1876, The Thorn Wire Hedge Co." (R. 377.)

When appellant desired to make a different form of wire than that shown in the Kelly patents, it was required to make written application for license to appellee, the same as every other licensee of appellee. (R. 84, 95.)

The relation between appellant and appellee in these two capacities was entirely distinct and separate. As a *licensee*, it was under the

absolute control of appellee and Ellwood as to the kind and character of wire it should manfacture, and the price at which it could sell its wire.

As *vendor* of the Kelly and Mitchell letters patent, it was entirely separate and distinct from and had no interest whatever in the business of appellee, save such as might arise by exercise of the want of good faith on the part of appellee. Appellant neither had the right to interfere with, nor did it presume to interfere with or to control the manner of appellee's conducting its business.

Appellant's interests were not the same as either appellee or Ellwood. It early requested appellant to curtail its manufacture of wire so as not to interfere with the sale of its product of appellee's other licensees. (R. 103.)

The royalty accruing to appellee was always collected by appellee. (R. 87.) Appellant never attempted to collect royalty from any licensee. (R. 87.) Appellant never wrote to any licensee to ascertain the standing of the account between appellee and any of its licensees. (R. 87.) It never had any controversy or dealings with any licensee. (R. 127.) It had no knowledge of the condition of the accounts as to royalty between appellee and its licensees, except as information was furnished by the monthly and quarterly reports and letters of appellee. (R. 122.) It relied entirely upon the information in these reports. (R. 87.) None of these reports showed the date of license, the amount of tonnage, style of wire, any licensee was making, nor the rate of royalty collected from such licensee. (Reports; R. 1132–1134.) When the licenses issued in 1878 and 1881, and the amendment to the license, of date May 1, 1883, were drawn by appellee, it did not furnish appellant with such license, or amendment, nor was any action in reference thereto, on the part of appellant, asked by appellee.

When granting licenses, appellee alone determined whom it would license, the amount of bonus charged, the style of wire used, the rate and amount of back damages, amount of tonnage, number of machines, place of manufacture, length of time for the expiration of the back damage note. Appellee never asked permission of appellant to license any person. (R. 482.)

Appellee and Ellwood bought about 250 different patents relating

to barb wire and machinery, for the purpose of controlling the uncertainties of business in the future.

In such purchase appellant was neither consulted, nor did appellee inform appellant when or what patents were purchased. (R. 155, 157.) Appellee and Ellwood alone issued the licenses and established the price at which barb wire should be sold by appellant and other licensees of appellee and Ellwood. (R. 385.)

Appellee and Ellwood made numerous settlements with other licensees involving upwards of $75,000. of royalty due appellant, without consulting it, or even informing appellant of the terms of such settlement. Appellee and Ellwood alone determined these and every other course of business or step taken during the term of the contract.

In short, appellant had no more to do with shaping or controlling appellee's business, as shown in the record, than had Glidden, Putnam or Kennedy, with whom it had contracts for payments of their patents, and there is no evidence in the record that they in any manner controlled appellee's course of business.

Every act of appellant's officers was done with full notice of their powers on the part of appellee. And while Washburn, on his direct examination, would lead you to believe that appellee acted in its business solely at the instigation of two of appellant's own directors; yet, on cross-examination, he is unable to specify a single act which was performed by appellee by reason of any thing done or said by these two persons. (R. 472, 473.)

The contract alone determines the rights and duties of the parties.

The Tenth Error.

The Royalty on the Brinkerhoff Barb Wire.

Appellee manufactured and sold prior to February 19th, 1885, upwards of 4,000 tons of Brinkerhoff barb wire, upon which it paid no royalty to appellant. (R. 390.)

(*a.*) It is averred in the bill of complaint that "There was manufactured and dealt in by the defendant, a certain patented barb wire

known as the 'Brinkerhoff Fencing.' that the form or construction of such wire was slightly different from the barbed wire made under the 'Kelly Patent' heretofore mentioned; but complainant claims that the same was and *is barbed wire* within the meaning of said contracts." (R. 16.)

In its answer, appellee "admits that there was manufactured and sold by it a certain patented article known as the 'Brinkerhoff Fencing,'" but says "that the form and construction of such fencing was widely different from the barbed wire made under the Kelly Patent heretofore mentioned, and says that the same was not, and *is not barbed wire* within the meaning of said contracts." (R. 26.)

These are all the allegations in the pleadings as to the Brinkerhoff wire. The only issue raised by the pleadings as to this wire, is whether or not the Brinkerhoff wire is "barb wire within the meaning of the contract."

The question of infringement upon the Kelly Letters Patent is not raised by the pleadings in this case. The bill is not drawn in the form of, nor does it contain the usual allegations requisite to a bill for infringement of Letters Patent. The answer does not aver that the Brinkerhoff patent does not infringe the Kelly Patents, or any of them. This issue is not presented.

The contract provides:

"*Fourth:*—(Appellee) furthermore agrees to enter upon the manufacture of barbed fence wire under the patents (Kelly) aforesaid, and to use reasonable and diligent efforts to supply the demand for this article throughout the country. And also to use proper and reasonable diligence in prosecuting infringers of the several letters patent as aforesaid, or any of them, *to the end that said patents may be fully enforced* and sustained." (R. 4.)

We must remember that this is the language chosen by appellee's own counsel.

It was the intention of appellee, as expressed in this covenant, "to manufacture barb wire under the (Kelly) patents," and under none other.

The fair meaning of this covenant is, that appellee would not manufacture barb wire under any other letters patent than the Kelly patents, and that appellee would use reasonable diligence to supply the demand for "this article" (such barb wire) made under the Kelly patents, and not made under patents hostile to them. It is not questioned but that appellee, either by itself or licensees, could,

with reasonable diligence, have supplied the demand for barb wire made under the Kelly patents.

If appellee can escape its covenant "to manufacture barb fence wire under the (Kelly) patents" by saying that the Brinkerhoff barb wire was not barb wire within the meaning of the contract, then appellee could with equal impunity so claim as to every other form of barb wire not made in one of the identical styles of the Kelly barb, as shown in the Kelly patents. To so construe the contract would not only enable appellee to escape its covenant to "manufacture barb fence wire under the (Kelly) patents," but would enable appellee to manufacture barb wire and supply the demand for "this article" (barb wire) made under other barb wire patents hostile to the Kelly patents, and thus evade this covenant and deprive appellant of the benefit of a covenant which was the moving consideration for the transfer of its patent properties to appellee.

"A contract of this character must be liberally construed to maintain its purpose, to secure good faith in its execution and prevent unjust evasion."

Ball Socket Fastener Co. v. *Ball Glove Fastening Co.*
(*Supra* 34.)

The Court will remember that prior to the time this contract was executed, appellee had already entered into a contract with Glidden for the manufacture of barb wire and at the time the contract was executed was manufacturing the Glidden wire.

Before purchasing appellant's patents, appellee had been advised by eminent counsel and its patent experts, that all barb wire having a fixed barb or thorn, which would not revolve around the wire, or move laterally thereon, was an infringement upon the Kelly letters patent. Having been thus advised appellee deliberately entered into this covenant, to manufacture barb wire *under the Kelly patents*, and also further covenanted to diligently prosecute all infringers of the Kelly letters patent, "to the end that said (Kelly) patents may be fully enforced and sustained." Appellee can not at the same time affirm and disaffirm such contract. It can not at the same time act within and outside the contract.

Appellee was not disturbed in its possession, nor was it evicted by any person claiming paramount title; but continued to manufacture

under such contract during its full term. Appellee has had the full benefit of its contract: it received and enjoyed all it bargained for.

If appellee was not satisfied with its covenant to manufacture under the Kelly patents it could, under its provisions, having terminated the contract at any time, and upon re-transferring the letters patent, such contract would have been ended. (§ 5.)

If appellee had thus terminated the contract, it could then have contested appellant's rights. *Mudgett* v. *Thomas*, 55 F. R., 645.

"Nothing is more generally or truly said than that an eviction is necessary to a breach of the covenants for quiet enjoyment or warranty." Rawle on Cov. of Title, 144.

"It is a fundamental rule that a tenant can not while in possession set up an outstanding title to overthrow the title of one under whom he holds, or otherwise dispute such title." Bigelow on Estoppel, p, 457.

The doctrine of estoppel applies equally as well to contracts relating to patents as to contracts between landlord and tenant and other contractual relations.

Bigelow on Estoppel, p. 494. 495.
Curtis on Patents, § 200.

It is said in Agnew on Patents p. 237: "Nor can a licensee by deed refuse to pay royalties, or contend that the patent is invalid, on the ground of want of novelty or utility in the invention, for the principle of estoppel is that where a man has entered into a solemn engagement by deed, under his hand and seal, as to certain facts, he shall not be permitted to deny any of the matter which he has so asserted."

In *Eureka Clothes Wringing Machine Co.* v. *The Bailey Washing & Wringing Machine Co*, 11 Wall 488, the defendants manufacturing under a contract, sought to show that the machines manufactured were not covered by the original patent.

Mr. Justice MILLER says: "After having made and sold five hundred of them (machines) there arises a very strong presumption that the denial that anything in those machines is covered by plaintiff's patentis made to support an unwillingness to pay the royalty which it had agreed to pay. And we are not at all satisfied that, in equity, it can be permitted to set up this defense, while it makes no attempt, by cross-bill or even in answer, to show that the agreements were obtained by fraud, surprise or imposition."

In *Kinsman* v. *Parkhurst* 18 How. 289: Kinsman covenanted that Parkhurst was the inventor of certain letters patent for the manu-

facture of certain machines, and the agreement recites that Kinsman hereby covenants and agrees that as soon as the profits which have accrued and which may hereafter arise from the manufacture and sale of the said machines so conveyed by the party of the second part (Parkhurst) that Kinsman will proceed to "Manufacture the machines aforesaid" and pay a certain fixed royalty. Kinsman then manufactured certain machines and refused to account, alleging that the patents were invalid.

Mr. Justice CURTIS says: The principal objection made by the appellants to the decree of the Court below is, that Parkhurst was not the original and first inventor of the thing patented. We are not satisfied that this is made out. But we have not found it necessary to come to a decided opinion upon this point, because we are all of the opinion that under the agreement * * * the invalidity of the patent would not afford a bar to the complainant's right to an account. Having actually received profits from the sales of the patented machine, which profits the defendants do not show have been, or are in any way liable to be, affected by the invalidity of the patent, its validity is immaterial. Moreover, we think the defendants are estopped from alleging that invalidity. They have made and sold these machines, under the complainant's title and for his account, and they can no more be allowed to deny that title and retain the profits to their own use, than an agent, who has collected a debt for his principal, can insist upon keeping the money, upon the allegation that the debt was not justly due."

Says Mr. Justice SWAYNE in *George* v. *Tate*, 102 U. S., 564, "Where a party reaps the benefit (of an undertaking) * * * and is called upon to respond, he is not permitted to repudiate the obligation he has assumed."

The law is clearly stated in *Marston* v. *Sweet* 82 N. Y. 528. Plaintiff and defendant were joint owners of a patent. Plaintiff executed to defendant and exclusive license, at a fixed royalty. The defendant refused to pay royalties, because of an alleged interference being allowed in the patent office, whereby the patent was rendered worthless. Mr. Justice FINCH says:

"We think the true rule to be deduced from the authorities is this: where the patent is apparently valid and in force, the party using it, receiving the benefit of its supposed validity, is liable for royalties agreed to be paid and cannot set up as a defense the actual invalidity of the patent. The reasons for the rule are that the party has got what he bargained for; that he cannot be allowed at the same time to affirm and disaffirm the patent; and that he cannot in this way force the patentee into a defense of his right and compel him to try it in a collateral action."

It is stated in *Magic Ruffle Co.* v. *The Elm City Co.* 13 Blatch 158.

"It is well settled that where a suit is upon * * *, a contract * * * containing covenants on the part of defendants, whereby they * * * *agree to maintain it by suits, or legal proceedings and there has been an enjoyment of the license by the defendants, they are estopped from denying the truth of their admissions,* unless it be averred by cross-bill or answer that such agreement was obtained by fraud, surprise or imposition." (Citing 11 Wall 483. 10 H. L. Cas 293:)

In *Covell* v. *Bostwick* 39 F. R. 420 it is said:

"The defendant, however, had and enjoyed the use of these patents of the plaintiff for exactly what they mutually understood he was to have them for. He occupied a field, as of exclusive right, which they supposed the patents covered, under them, *although they did not cover that precise field.* His situation in this respect was like that of a lessee who should occupy and enjoy premises supposed to be the leased premises, but which should not be precisely such. *That a patent or lease should fail to cover the invention or premises bargained for, by want of description, would seem to be no better defence to an action for royalty or rent, than if it failed to do so by want* of right or title. That mere failure of the right or title does not excuse payment of royalties or rent does not appear to be doubtful, and is not disputed in behalf of the defendant. *Stott* v. *Rutherford* 92 U. S. 107; *White* v. *Lee* 14, F. R. 790; *McKay* v. *Jackman* 17 F. R. 641. If the licensee has what he bargained for, without disturbance, he is bound to fulfill his part of the agreement. *Marston* v. *Sweet* 82 N. Y. 528."

In *Lawes* v. *Purser* 38 L. and Eq. 48, the Court says: "If the plaintiff believed the patent to be valid and the defendants believed so too, it seems to me that the defendants must pay for the privilege until they can show that the patent has been rescinded or revoked. or that notice has been given to the plaintiff that he will not pay any more under the contract."

Lawes v. *Purser* was cited approvingly by this Court in *Stott* v. *Rutherford.* 92 U. S. 107.

Mr. Justice LOWELL reviews many of the authorities in *White* v. *Lee* 14 F. R. at p. 792, and reaches the same conclusion.

Rogers v. *Riessner* 30 F. R. 525 Wheeler J. says: "The defendants have not, however, so far as has been shown, been evicted from any of the exclusive rights which the patents purported to give, by any paramount title, but have occupied and enjoyed those rights. They are not, therefore, in any position to dispute their licensor's title. *White* v. *Lee* 14 F. R. 789; *McKay* v. *Jackman* 17 F. R. 641."

Says WHEELER J. on *McKay* v. *Jackman* 17 F. R. 642: "This subject has been so lately examined by Judge LOWELL, in *White*

v. *Lee* 14 F. R. 789. and the conclusion reached by him thereupon review of the authorities, that without an eviction or its equivalent, the royalties must be paid, is so satisfactory. that nothing further on this point than a reference to that decision seems necessary."

Without quoting farther, we refer to the following cases, showing that a party manufacturing under a license or contract cannot set up either that the patent was void or invalid or the invention not new in defence, where such party has not been evicted but has enjoyed the full benefit of the contract.

Baird v. *Neilson* 8 Cl. and Fin. 726.
Nolan v. *Brooks* 7 *Hurl. & Nor.* 499.
Wilder v. *Adams* 2 *Wood* and M. 329.
Bartlett v. *Holbrook* 1 *Gray* 118.
Jones v. *Burnham* 67 *Maine* 93.
Marsh v. *Harris Mfg. Co.* 63 Wis. 276.
National Rubber Co. v. *Boston Rubber Shoe Co.* 41 F. R. 48.
Pratt v. *Wilcox Manf'g Co.* 64 F. R. 589.

The language of Mr. Justice SWAYNE in *Nooman* v. *Lee* 2 Black 499 is peculiarly appropriate. In that case a grantee under a warranty deed refused to pay the purchase price, because of an alleged defect in title, but by which he was not disturbed.

He says: "Having had the title for several years without paying anything and accomplished that purpose, he is now seeking upon the pretext of defects of title finally to avoid the payment of the purchase money and throw back the property upon the hands of his vendor. This ungracious work a Court of Equity will not permit him to do."

The principle of these cases is applicable to the case at bar. Here appellee having had the full benefit of its contract, and having waited until the patents expired, it should not now be permitted to deny that the Brinkerhoff wire is within the terms of its covenant.

It was appellee's duty, under this contract, to prosecute the Brinkerhoff people the same as any other alleged infringer, and have that matter judicially settled, if there was any doubt in regard to their infringing the Kelly patents. This was a right which appellant bargained for, and which appellee covenanted to perform. The burden to establish such wire to be an infringement upon the Kelly patent, was upon appellee. Appellee cannot escape this covenant

by buying outright such letters patent and then compel appellant to contest the infringement in a collateral proceeding.

Appellee recognized this liability to appellant under its contract in each of the subsequent modifications of its contract.

When, on July 27, 1881, appellee's counsel drew the release as to "bonuses and back damages," it recited the effect and gave the true construction of its covenant with appellant when it declared: "The existing agreements between the parties bearing date July 3, 1876, December 2, 1878 and August 7, 1879 * * * providing for the payment of 15c. by (appellee to appellant) as consideration money for the Kelly patents *upon every 100 lbs. of barbed fence wire manufactured and sold by (appellee), its licensees or its authority.*" (R. 34.)

And again, when appellee made its final modification of the contract on June 12, 1883, appellee made no exception as to the Brinkerhoff wire, but expressly covenanted that "it will pay appellee, or its legal representatives, the sum of 5c. *on each and every 100 lbs. of barbed wire it shall sell* from June 1, 1883, to and including February 11, 1885."

These provisions clearly include the Brinkerhoff barb wire. Nowhere in the contract is any distinction made between the Brinkerhoff or any other of the hundreds of specific forms of barb wire made by the licensees. Nor was any distinction made by appellee in contract of June 12, 1883, between the Glidden or Brinkerhoff "barb fencing," — the royalty was upon each.

Appellee did not itself manufacture, or license any person to manufacture any of the specific styles shown in the Kelly Letters Patent.

There is nothing in its contract which prevented it from so licensing or manufacturing, if it chose. No person manufactured the specific Hunt or Smith styles of wire. (R. 475.) Appellee (and I. L. Ellwood & Co.) alone manufactured the Glidden style of wire. (R. 700.)

To every license granted by appellee was attached one or more samples of the specific styles of barb wire, which such licenses was authorized to manufacture. Appellee purchased 250 patents relating to barb wire alone, (not including patents upon machines for making barb wire). How many different styles of wire were authorized to be made by such license does not appear; but it does appear by the licenses (of upwards of 100,000 annual tons) granted by appellee

during the continuance of the contract between the parties that every style of wire attached as exhibits to such licenses was licensed under the Kelly patents, and subject to payment of royalty to appellant. This is conclusive evidence that appellee did understand the meaning of its contract with appellant to be that all styles of barb wire made, or licensed by it, were to be manufactured and were considered by it as manufactured under the Kelly patents, and were intended to be covered by its contract. Although not a single one of such wires licensed was one of the specific styles shown in the Kelly patents. This was appellee's course of action during the entire existence of such contract *without a single exception.*

Mr. Calkins testifies:

"In our relations with Washburn & Moen we claimed that the Kelly patents covered all forms of barbs then known at the time of the contract of July 3, 1876. The Brinkerhoff strip was not then known, not until sometime later. Our first knowledge of the existence of the Brinkerhoff strip, I think, was in the early part of 1876 or 1877. Our correspondence with the Washburn & Moen Company will not disclose when first we had knowledge of that. The Brinkerhoff strip was manufactured quite a time previous to the correspondence referred to. Probably as early as 1877, Mr. Brinkerhoff was in our office several times at different periods, and we had invariably claimed to him that he was infringing the Kelly patents; and we had brought Mr. Washburn's attention to the matter prior to the dates mentioned in the question, and Mr. Washburn invariably stated that as soon as he got through with the first batch (of law suits) he would attend to this case. * * * Neither I nor our company had any doubts at that time in regard to Brinkerhoff infringing our patents. We always considered that our patents covered the Brinkerhoff Strip." (R. 93.)

Stiles testifies:

"There was no different talk between me and Mr. Washburn relative to the Brinkerhoff strip, in 1879, than there had been relative to any other person who was manufacturing barbed wire and not having a license." (R. 253.)

Washburn does not deny these conversations with Stiles and Calkins. His denial relates solely to the fact that he says he did not promise to bring suits against Brinkerhoff. (R. 454.) Stiles' and Calkins' testimony is fully corroborated by what occurred at the time appellee bought these patents.

In March, 1879, appellee requested Stiles to get appellant to con-

by buying outright such letters patent and then compel appellant to contest the infringement in a collateral proceeding.

Appellee recognized this liability to appellant under its contract in each of the subsequent modifications of its contract.

When, on July 27, 1881, appellee's counsel drew the release as to "bonuses and back damages," it recited the effect and gave the true construction of its covenant with appellant when it declared: "The existing agreements between the parties bearing date July 3, 1876, December 2, 1878 and August 7, 1879 * * * providing for the payment of 15c. by (appellee to appellant) as consideration money for the Kelly patents *upon every 100 lbs. of barbed fence wire manufactured and sold by (appellee), its licensees or its authority.*" (R. 34.)

And again, when appellee made its final modification of the contract on June 12, 1883, appellee made no exception as to the Brinkerhoff wire, but expressly covenanted that "it will pay appellee, or its legal representatives, the sum of 5c. *on each and every 100 lbs. of barbed wire it shall sell* from June 1, 1883, to and including February 11, 1885."

These provisions clearly include the Brinkerhoff barb wire. Nowhere in the contract is any distinction made between the Brinkerhoff or any other of the hundreds of specific forms of barb wire made by the licensees. Nor was any distinction made by appellee in contract of June 12, 1883, between the Glidden or Brinkerhoff "barb fencing," — the royalty was upon each.

Appellee did not itself manufacture, or license any person to manufacture any of the specific styles shown in the Kelly Letters Patent.

There is nothing in its contract which prevented it from so licensing or manufacturing, if it chose. No person manufactured the specific Hunt or Smith styles of wire. (R. 475.) Appellee (and I. L. Ellwood & Co.) alone manufactured the Glidden style of wire. (R. 700.)

To every license granted by appellee was attached one or more samples of the specific styles of barb wire, which such licenses was authorized to manufacture. Appellee purchased 250 patents relating to barb wire alone, (not including patents upon machines for making barb wire). How many different styles of wire were authorized to be made by such license does not appear; but it does appear by the licenses (of upwards of 100,000 annual tons) granted by appellee

during the continuance of the contract between the parties that every style of wire attached as exhibits to such licenses was licensed under the Kelly patents, and subject to payment of royalty to appellant. This is conclusive evidence that appellee did understand the meaning of its contract with appellant to be that all styles of barb wire made, or licensed by it, were to be manufactured and were considered by it as manufactured under the Kelly patents, and were intended to be covered by its contract. Although not a single one of such wires licensed was one of the specific styles shown in the Kelly patents. This was appellee's course of action during the entire existence of such contract *without a single exception.*

Mr. Calkins testifies:

"In our relations with Washburn & Moen we claimed that the Kelly patents covered all forms of barbs then known at the time of the contract of July 3, 1876. The Brinkerhoff strip was not then known, not until sometime later. Our first knowledge of the existence of the Brinkerhoff strip, I think, was in the early part of 1876 or 1877. Our correspondence with the Washburn & Moen Company will not disclose when first we had knowledge of that. The Brinkerhoff strip was manufactured quite a time previous to the correspondence referred to. Probably as early as 1877, Mr. Brinkerhoff was in our office several times at different periods, and we had invariably claimed to him that he was infringing the Kelly patents; and we had brought Mr. Washburn's attention to the matter prior to the dates mentioned in the question, and Mr. Washburn invariably stated that as soon as he got through with the first batch (of law suits) he would attend to this case. * * * Neither I nor our company had any doubts at that time in regard to Brinkerhoff infringing our patents. We always considered that our patents covered the Brinkerhoff Strip." (R. 93.)

Stiles testifies:

"There was no different talk between me and Mr. Washburn relative to the Brinkerhoff strip, in 1879, than there had been relative to any other person who was manufacturing barbed wire and not having a license." (R. 253.)

Washburn does not deny these conversations with Stiles and Calkins. His denial relates solely to the fact that he says he did not promise to bring suits against Brinkerhoff. (R. 454.) Stiles' and Calkins' testimony is fully corroborated by what occurred at the time appellee bought these patents.

In March, 1879, appellee requested Stiles to get appellant to con-

sent to its issuing a license to the Brinkerhoff people, at a royalty of 50c. per 100 lbs., and for that purpose requested appellant to *waive* all rights to its share of the royalty. (R. 383.)

The Court will remember that until December 1880, Stiles was in the employ of appellee, under a written contract, to do such business as he should "be requested to perform."

No correspondence passed directly between appellant and appellee as to the issuance of this license. The correspondence was entirely between appellee and its counsel (Coburn) and its employee (Stiles). On April 1st, 1879, appellee wrote Stiles: "We have already written you *personally* about that permission to license the (Brinkernoff) Strip Co." (R. 558.) Stiles replied: "In regard to the Strip Co. matter I think I will have no trouble to have our Company sign a paper." (R. 559.)*

Pursuant to such request of appellee, Stiles presented the matter at a meeting of the board of directors of appellant, and on March 28, 1879, in a letter headed "private," he wrote appellee, "I submitted the matter (to appellant) and advised that we do it." (R. 557.) Appellant refused to follow Stiles' advice, and did not consent to the license to the Brinkerhoff people, without the payment of royalty, although appellee had, prior to that time, and to the same end, procured the consent of Glidden and Kennedy to the issuance of such license, without any royalty to them.

It will also be remembered that appellee entered into a contract with the Ohio Steel Barb Fence Co., without knowledge of appellant; covenanting that appellee would not license to exceed 5,000 tons of barb wire in any one year, without the consent of that company. In a letter to its counsel, appellee stated that if the Brinkerhoff people were licensed, under this limited tonnage arrangement, it would pay royalty on such wire to appellant *the same as upon every form of wire;* that is, Washburn wrote: "We propose to pay (appellant) the regular license fee." (R. 383.)

Washburn states that he desired the fifty cents royalty to be collected from the Brinkerhoff Co. so that: "He might be aided in the

*The letters relating to this purchase, are those of appellee to Coburn, March 26th, 1879, (R. 382), and to O. S. B. F. Co., March 26th, 1879, (R. 391), Appellee to Stiles, April 1, 1879, (R. 558); Stiles to appellee, March 28th, 1879, (R. 557), and April 7, 1879 (R. 558).

expense of litigation " (R. 93, 383.), *i. e.*, litigating the Kelly patents, under terms of its contract.

Washburn wrote to its counsel that " We certainly will not license " Brinkerhoff, without appellant's remitting its royalty. And in reply to the letter from such counsel, announcing that appellant had refused to waive its royalty on Brinkerhoff wire, Washburn wrote: " We are very much disappointed that (appellant) did not freely grant that *permission*." (R. 383.) Never once in any statement made to Stiles, Calkins or any other officer of appellant, while seeking the remission of this royalty, did appellee assert or claim that the Brinkerhoff barb wire was not within the terms of its contract with appellant. This request from appellee that appellant should waive tis royalty upon such wire, in case a license was granted can be construed upon no other theory than that appellee then believed the Brinkerhoff wire to be included within the terms of its contract. Appellant having refused to waive its royalty upon the issuance of such license, appellee thereupon, on April 29, 1879, purchased the Brinkerhoff patents outright, and subsequently manufactured barb wire thereunder.

When appellant learned that appellee had purchased these patents and commenced to manufacture such wire, appellant could and did rely upon the maxim of equity, that " Where a person has expressly covenanted to do an act, and he does that which may either wholly or partially be converted to or towards a completion of the covenant, he shall be presumed to have done it with that intention." *Bispham* on Eq., 50.

Not only does the contract provide for payment of royalty upon the Brinkerhoff barb wire, but appellee has shown by its entire course of business that it understood such wire to be covered by the contract.

At the time appellee purchased appellant's patent the latter claimed that all barb wire made infringed the Kelly letters patent. (R. 92.)

Appellee has never denied this position of appellant, but on the contrary, has continuously so claimed and asserted. In the original contract appellee covenanted to pay appellant ⅛c. per pound royalty upon all barb wire made by Glidden and Ellwood and I. L. Ellwood & Co. subsequent to the date of the re-issue of the Kelly patent, and appellee afterwards paid royalty upon every form of barb wire then

known, namely: the Glidden, Kennedy, Scutt and Haish, and subsequently paid royalty on all forms of barb wire made or licensed by it. and this without any exception.

Washburn testifies that appellee always claimed that all barb wire manufactured, sold or used by any person was an infringement on what he termed the bottom patents, viz: the Kelly. (R. 386.)

In October, 1876, appellee issued broadcast throughout the country and published the following circular:

"CAUTION.

"To farmers and all others who put barbs upon wire fences, making a barb fence wire, and to all manufacturers and dealers in fence barbs and barbed fence wire:

"You are hereby notified, that in putting barbs upon wire, making a barb fence, or in using or dealing in barbs or barbed fence wire not made under license from us, you are infringing upon our patents, and we shall hold you strictly accountable for damages, for all infringements of letters patent * * * re-issues Nos. 6901; 7035; 7036" (Kelly), etc. (R. 578.)

In addition to this "caution" circular, appellee isued another circular to the trade in 1877, claiming to own and control the sole right of (1) "fixing firmly in place any barb or thorn upon a fence wire: and, (2) the use of a fence wire in combination with barbs (under) Re-issue Patent No. 6902," Kelly. (R.*1109.)

This was appellee's universal contention.

In the Haish case, it was held that "the idea of barbing fence wire was Hunt's." (R. 764.) Hunt's idea was simply that of "providing the wires of a wire fence with a series of spur wheels," or as stated in the re-issue letters patents, "a fence wire provided with spurs." (Re-issue 6976.) "The spur wheels may fit the wire loosely *so as to revolve easily* upon it." "The only advance made in the art in Smith's invention (Re-issue, 7136) was the idea of fixing the barbs by short kinks or bends in the wire, *so as to prevent them from moving lengthwise* on the wire." This device was an improvement on Hunt's and was held valid. The court also held that this did not include all equivalent methods of preventing lateral motion, "because Hunt had suggested keeping the spurs at a suitable distance apart by means of flanges or otherwise."

The next patent in order of time was the Kelly re-issue, No 6902. "This patent was for thorns or barbs *fixed rigidly to the wires*, so that they could *neither slide lengthwise* nor *revolve* upon the wires." "*Two* modes of accomplishing this result are shown, *one* of stringing them upon the wire by holes through the center, and then compressing them upon the wire by blows or *pressure*, and *another* by laying another wire of the same or different size alongside the thorn wire and twisting them together."

In speaking of the Glidden wire, the Court says: "The barb made by bending a short piece of wire pointed at both ends around the fence wire, thereby forming a loop in place of a hole, *was nothing more than the Kelly barb. The loop is, when made, only the hole which Kelly punched through his barb.*"

The principle of Glidden's barb is, that of bending it over or around the fence wire skipped through the hole. *And, when once the principle is shown, it is obvious that a great variety of barbs or loops can be made* ALL OF WHICH PRODUCE ONE RESULT." (R. 773.)

Speaking of barbs cut from sheet metal, as shown in the patents then before the court, it says: "It is manifest, that there is and can be no essential difference between making the barbs from strips of *thin sheet metal* cut diagonally so as to leave both ends pointed, *and bending or wrapping around the wire*, or making a similar barb from round wire." (R. 773.)

The Court held that the Glidden wire was nothing more than the Kelly, and that there was no difference between making barbs from strips of thin or sheet metal and making such barbs of round wire as shown in the Glidden, and that all produced one result, viz: a barb "fixed firmly in place upon a fence wire."

This Court in the Barb Wire Patent, 143 U. S., 275 (but after the Kelly patent had expired and in which suit the Kelly patent was not in issue) said:

"The patent of February 11, 1868, to Michael Kelly, indicated a decided step in advance of its predecessors" (agreeing with the Court in the Haish case); and said, further, that the difference between the Kelly fence and the Glidden is not a "radical" one, that the Glidden wire was simply the Kelly wire. The Court in the Haish case held, that the idea of fixing a barb rigidly upon the wire so that it would neither revolve upon the wire, nor slide lengthwise, *was Kelly's idea:* that this idea was infringed: (1) When Glidden or *others* adopted another style of barb by making a loop of wire passing around the wire instead of punching a hole in a barb and passing it

over the wire, and then *fixing it by compression:* (2) and also, when the barb was made from sheet metal and fixed upon the wire by compression.

The Brinkerhoff barb wire was made under Letters Patent No. 214,095, issued April 8, 1879. (R. 969.) The barb wire made under this patent is described as a barb made of sheet metal upon a "flat metal strip of any suitable dimensions, *such as is suitable for making fences*, and to this strip the *barbs*, as hereinafter described, are connected in the following manner:

"The barb is preferably made of a single piece of sheet metal, cut to form the body of the barb *b*, with the flanges or points *cc*, projecting in opposite directions, and at the sides of the said points two lips *dd*, also projecting from the body. The barb thus constructed is laid on the side of the strip *a*, and the lips *dd*, *clinched* over the edges of the strips, so as to *hold the barb thereon*, and to prevent its coming off."

Varieties of this barb, all made of sheet metal, are shown in the drawings and specifications. Fig. 3 shows the lips on one side of the barb, "or they may be cut in, one on each side and incline so that their ends will meet when *clinched over* the fence strip, as shown in Fig. 4."

In all cases the barbs are made from separate pieces of sheet metal and distinct from the fence wire.

"In all cases the barbs are are clinched over the strip." The barb shown in Fig. 4, is identically the Kelly barb. Both are made of sheet metal; both are made separate from the wire lengths and both require to be fastened upon the wire or strip, by "clinching, hammering or otherwise (as described by Kelly), on the fence wire."

When appellee, in 1877, notified the world that it claimed that all persons fixing barbs upon wire were infringing the Kelly patents, it had in mind the fact that Kelly was the first inventor of a barb fixed upon a wire so that it would not revolve upon or move laterally on the wire; and this was accomplished (1) by wrapping the barb about the wire (6,902), or (2), inserting the barb between *two* wires (6,902), or, in a slit in the wire so as to insert the barb therein (which in reality was the same principle as inserting it between *two* wires. (7,035 and 7,036.) Thus embodying the principle shown in every form of fixed barb thereafter made. And this was the view subsequently taken by the court in the Haish case, as well also by appellee in its paying royalty upon every conceivable form of barb wire, single or

double strand main fence wire, as contained in the list of patents found on page 794 *et seq.* of the record.

That these patents were included in appellee's barb wire patents is shown by the following fact.

Washburn says: "The expenses incident to the purchase of but not including the purchase price of the Brinkerhoff Strip patents was included," in what he denominated litigation expenses attending the prosecution of the barb wire patents (R. 490). Appellee never made any distinction as to the different forms of barb wire infringing the Kelly patents.

Appellee contends that the Brinkerhoff barb wire is not barb wire, barb fence wire, or barb fencing, and seeks to distinguish it from other forms of barb fencing by calling it "metallic fencing," and, therefore, it is not barb wire.

No claim has ever been asserted that Hunt was the inventor of barb wire fences, although Hunt made the first fence with barb wire. Wire fences were used long prior to the time of Hunt's invention.

Brinkerhoff never claimed any invention of the use of a flat metallic strip on which to place or string barbs. His "invention relates to barb fences made of flat twisted metal strips *made with the barbs attached thereto.*" (R. 969.) Metallic strips with barbs attached were then well known in the art. They are shown in previous patents issued to Kelly November 17, 1868, Letters Patent No. 84,062, in which the metallic strip called "a flat wire *rolled* or otherwise produced" to which the barb is attached.

Appellee's own expert testifies that other fences were made out of metallic strips prior to the date of the Kelly patents. (R. 718.)

In the Judson Letters Patent issued August 15, 1871, No. 118,135 (R. 815), Judson says that he does not claim the use of metallic strips for fencing purposes; "that fences of hoop or bent iron have been before known." "Wire of large size may be used in a similar way," and that the wire lengths "are preferable from an inch to an inch and a half in length each." He says that his invention belongs to a class in which hoop or bent iron is used in place of rails.

"Hoop iron" is also described as material for the length or "rails" in the Haish patent No. 147,634, granted February 17, 1874, and

which was transferred by him to appellee as a "barb wire" patent, July 26 1881.

When Brinkerhoff made his application for the Letters Patent No. 214,095, metallic strips or flat wire had been in use as lengths or rails in barb wire fences for over ten years.

In Kelly's Letters Patent (No. 84,062, Re-issue No. 7,035 and 7,036), his invention is described as "improvements in metallic fences," and in these letters patent Kelly says "The wire being flat" —"the wire being a flat strip."

In the contract of July 3, 1876, appellee calls the Kelly "metallic fences" barb wire. Brinkerhoff describes the length of his wire as "a flat metallic strip of considerable dimensions." Scutt used flat wire in making barb fences in 1877. (R. 486.)

Washburn says that appellee made flat hoop skirt wire from one-quarter to one-half of an inch wide, and it was called wire. (R. 456) that its customers ordered flat wire of certain dimensions and that "we would take a piece of round wire and draw it into these dimensions."

Appellee's expert, Power, says that a flat metallic strip ceases to be a wire at *some* dimension. He fails, however, to say at what width it ceases to become a wire.

Washburn says that the strip used in the Brinkerhoff wire was not wire, because it was rolled. The only reason that the strip was not drawn he says was "in making the Brinkerhoff strip it would not be practicable to draw it from round wire; *it would be too expensive.*" (R. 489.) Costs more to make it. (R. 392.)

The same method of preparing strips by rolling was used in the Kelly Patent No. 84,062 (November 16, 1868), wherein Kelly says: the main wire within the thorns is a flat wire, "*rolled* or otherwise produced in considerable lengths *in the ordinary manner.*" Washburn says appellee could and did *roll flat wire* depending on the dimensions of the wire desired. (R. 456.) The rolling was a mere matter of economy.

Whether drawn or rolled, a flat metallic strip used for barb fencing, *to at least the width of one-half inch*, was called wire.

Knight's Mechanical Dictionary gives the following definition of wire:

"Wire—a metallic rod, thread or filament of small or uniform diameter.

"Fowler, January 5, 1869, made wire of sheet metal, cutting it into strips between pairs of *rollers* with interlocking sharp edged ridges or grooves."

And numerous illustrations of irregular and complex forms and shapes of wire are given.

Webster defines "Wire" as: "A metallic substance formed to an even thread by being passed through grooved *rollers* or *drawn* through holes in a plate of steel.

"Wire is made of any desired form, as round, square, triangular, *etc., by giving this shape to the hole in the draw-plate.*"

In The American Encyclopedia, "Wire" is defined "A small metallic rod or thread varying in thickness from half an inch to 1-5000 of an inch."

The diameter or thickness of wire is also stated in Knight's Mechanical Dictionary, and in the Encyclopedia Britannica, under the definition of "wire," to be up to one half of an inch.

This includes a metallic thread much larger in width than the strip used in making either the Brinkerhoff barbed fencing or the Kelly flat barbed fencing.

The width of the flat wire made by appellee for, and used by, appellant in the manufacture of its wire was three-eighths (6-16) of an inch. The width of the "strip" or "length" used in the Brinkerhoff fencing was five-sixteenths (5-16) of an inch, or one-sixteenth (1-16) of an inch less in width than the flat wire used by appellant in making its barbs.

It is true that for cheapness the Brinkerhoff strip was rolled by appellee direct from rods, instead of from the wire which had already been drawn from the rods, thus saving one handling of the product. Using the process of rolling instead of drawing did not destroy the characteristic of the product as wire.

Rolled or drawn, (and it could be made either way,) the strips used for lengths of Brinkerhoff barb fencing is a continuous metallic thread of uniform thickness or diameter, and is wire within the definition of that article as given by the lexicographers.

Washburn says appellee made wire of other shapes than round. (R. 456.)

In the various Letters Patent in evidence, we find that wire is described as flat wire, round wire, oval wire, (Glidden, 181,433, R. 869), polygonal wire (Rose, 198,688 R. 927), "Round wire with projecting ribs" (Decker, 178,605 R. 864) round wire with "grooves" (Upham, 239,891. R. 1003.) In describing the barb wire wherein the barbs are cut from the lengths, Webber in No. 182,976, (R. 883) speaks of them as "metallic wire or strip." These examples might be extended *ad libitum.*

Stiles testifies: "I was acquainted with the different forms of barb wire that were upon the market subsequent to the transfer of the Kelly patent to the Washburn & Moen Manufacturing Co. *Everything that had barbs or prickers on it the trade called barbed wire or barbed fencing.* There was no difference from the fact that some wire was flat and other round. Some was oval wire. *The Brinkerhoff wire was advertised as barbed fencing. It is known in the trade as barbed fencing.*" (R. 242.)

Calkins testifies: "I am familiar with the barb wire in the markets during the period commencing July 3, 1876, down to 1885. There was no distinction made between wire because it was flat or round; it was all advertised under the general head of barb wire. It was known as barbed wire, barbed wire fencing, barb steel wire, and steel barbed wire; and these terms were used indiscriminately in speaking of barbed wire or barbed wire fencing. I am familiar with the trade in wire so as to know when iron or metal ceases to become known as wire, having dealings ten or twelve years with wire mills. I purchased wire of the Washburn & Moen Manufacturing Co. which was *flat.* It was known under the general head of wire. Also, when wire was oval, it merely said oval wire or three-cornered wire. *All wires having barbs, without distinction, whether the wire was flat, oval, triangular or any other shape, was called barb wire in the trade.* The width of the wire we purchased of Washburn & Moen Manufacturing Co. as wire compared to the Brinkerhoff wire—our wire that we bought, was at first nearly *three-eighths* (6-16) *of an inch in width,* and laterally a little over a quarter of an inch. This wire was used for the purpose of making barb wire, and was and is sold in the trade as barb wire." (R. 86.)

Washburn in answer to the question "Is it not a fact that the words "Barb wire," "barb fencing," "steel barb wire," "barb steel fencing," "barb steel fence" "barb fence" and "barb fences" were used indiscriminately and without distinction by the Washburn & Moen Manufacturing Co., and the public dealing in barb wire generally understood to be fencing with barbs made out of steel or wire?"

Says: "*I should say that was so with reference to the public generally.*" (R. 386.)

A slight inspection of the barb wire patents in evidence owned and controlled by appellee (R. 797 to 1081) will show that parties applying for letters patent universally understood that the term "barb wire", "barb fencing", etc., understood and included, as did Stiles, everything that had barbs or prickers on it."

In such letters patent the product is described as "Improvements in metallic fences," (Kelly); "Improvements in wire fences," (Kelly); "Improvements in barbed fence wires," (Hunt & Smith); "Improvements in wire fence barbs;" "Improvements in barbed wire fences;" "Barbed fence wire;" "Improvements in fences;" "Metallic barbed fencing;" (Upham, 239,891). "Barbed fencing;" "Barbed fences;" "Barbed wire;" "Barbed fence," etc., etc.

Among the Barb wire letters patent so owned or controlled by appellee, are letters patent 185,333, to Millis Knickerbocker, December 12, 1876. (R. 892) which shows a sheet metal barb entwined around the wire and held in place thereon by compression. Letters patent No. 164,552, June 15, 1875, (R. 834) issued to Jacob Haish, shows a barb consisting of a single piece of wire bent in the middle and mounted at intervals on the wires, and fastened thereon by clinching. Letters patent No. 164,947, to Daniel C. Stover, June 29, 1875, (R. 835) shows a metal barb having the projecting points or lips, and is fixed upon the fence wire by compression or clinching, the same as the Brinkerhoff barbed wire. These are all prior to the date of the letters pattent No. 214,095, to Jacob Brinkerhoff, and are known as "Barb wire."

These specific forms of metal barbs shown in these three letters patent, are only a few of the forms which involve the principle underlying the Kelly barb, being that of a rigid barb which would neither move laterally or revolve upon the wire. It would be a needless task to here indicate the points of similarity and variance between these various barbs. Suffice it to say, that an inspection of such letters patent will show a much wider variance in most of them from Kelly patents than what is shown in the Brinkerhoff barb.

One of the letters patent purchased by appellee and Ellwood from the Crandal Manufacturing Co. in January, 1881, was the letters

patent No. 221,158. (R. 982.) This fencing was made of "sheet metal strip intertwisted longitudinally with wires to form a barbed metallic cable or rail." one of the claims under this patent was in a "zigzag sheet metal strip with sharp points at the angles." The difference in construction between this barb and the Kelly barb, is much more marked than the difference between the Kelly patents and the Brinkerhoff patents. On this (Crandal) barb appellee paid a royalty to appellant of upwards of $9,000.

A similar barb is the Haish barb patent No. 152,368 (R. 825) purchased by appellee and Ellwood of Haish in July 1881.

Calling attention to only a few of appellee's other barb wire patents we find in such "barbed wire patents" Nos. 168,550 (Armstrong R. 841) and 182,819 (Harsha. R. 880) having barbs closely identical with the Kelly barb.

We find barb wire having barbs made out of the strands of the wire itself, the strands being made of separate wires, sometimes single and sometimes double and the pieces wound around or twisted together, leaving the ends projected as barbs. 182,928, (R. 881) 183,552, (R. 886) 197,729, (R. 923) 199,924, (R. 931) 249,212. (R. 1013) 255,728. (R. 1037).

Strands separate and apart from each other having the same barb. 186,716. (R. 899) 189,122 (R. 909) 253,022, (R. 1029) 221,300. (R. 985) 239,553. (R. 1001) 237,130. (R. 997) 261,212. (R. 1045.)

Barbs neither twisted or wound around the wire. but held in place by being interwoven between the strands. 254,923 (R. 1034.)

Barbs twisted around one wire and held in place by being wound between the wires. 260,844. (R. 1041.)

In the Webber patent, No. 182,976 (R. 883), the barb is an *integral part of* and cut from the strand or length of wire, in the same manner as in the Judson patent, No. 118,135.

One of the most marked is No. 225,717 (Orwig R. 989), being pieces of wood one inch square and four feet long fastened to posts by plain wire; the wooden strips have "barb pieces" so that the barbs project at right angles from the strip. Could a "barbed wire" be conceived which differs more than this Orwig fencing from the Kelly wire? Yet appellee lists this among the "barbed wire" fence patents owned by appellee.

Each of the numerous forms of barb wire shown in the barb wire patents in evidence and on which appellee paid royalty to appellant are different forms from those shown in the Kelly patent. But no inventive faculty was required in the change of the form of the barb, and when once the principle of the Kelly barb was shown, "all the great variety of barbs or loops" which were made produced the same result, and were simply mechanical equivalents, of which variety the Brinkerhoff barb was one type.

Merwin on Patentability of Inventions, pp. 63 and 493.

Says Mr. Justice SAWYER, in *Carter* v. *Baker*, 1 Sawyer, 516:

"When in mechanics, one device does a peculiar thing, or accomplishes a particular result, every other device *known* and *used* in mechanics, which skillful and experienced workmen know will produce the same result, or do the same particular thing, is a known mechanical substitute for the first device mentioned for doing that thing or accomplishing that result, although the first device may never have been detached from its work, and the second one put it in its place."

"It is sufficient to constitute known mechanical substitutes, that, when a skillful mechanic sees one device doing a particular thing, he knows the other devices, whose uses he is acquainted with, will do the same thing."

Says Mr. Justice BRADLEY, in *Hicks* v. *Kelsey*, 18 Wall., 670:

"The use of one material instead of another in constructing a known machine is, in most cases, so obviously a matter of mere mechanical judgment and not of invention, that it cannot be called an invention, unless some new and useful result, an increse of efficiency, or a decided saving in the operation, is clearly attained."

The cases are collated and reviewed in *Hill* v. *Wooster*, 132 U. S. 693, where Mr. Justice BLATCHFORD says:

"It is not enough that a thing shall be new, in the sense that in the shape or form in which it is produced, it shall not have been before known, * * * but it must, under the Constitution and the Statute amount to an invention or discovery."

Says Mr. Justice LAMAR in *Burt* v. *Evory*, 133 U. S., 349:

"A mere carrying forward a new or more extended application of the original thought, a change only in the form, proportions, or degree, the substitution of equivalents, doing substantially the same thing in the same way by substantially the same means, with better results, is not such invention as will sustain a patent.

As was said by Mr. Justice NELSON in *Hotchkiss* v. *Greenwood*, 11

How., 248, Even employing one known material in place of another is not invention, if the result be only greater cheapness and durability of the product.

In this case appellee makes claim neither for cheapness nor durability in the Brinkerhoff wire, The evidence shows that the Brinkerhoff wire was a more expensive wire than either the Kelly or Glidden styles of wire. (Par. 8, Washburn's letter March 29, 1879, R. 392, 489.) The underlying thought of the Kelly barb was a barb which would neither move laterally or revolve on the wire, and this was accomplished in the Brinkerhoff wire by substantially the same means as in the Kelly wire.

The Court in the Haish case held the various forms of sheet metal barbs there before it to infringe the Glidden idea of a loop, and that the Glidden loop was nothing more than the hole punched through the Kelly barb. There can be no escaping the conclusion that the barbs in the Brinkerhoff letters patent are as then said, but one of "a great variety of barbs or loops, *all of which produce only one result.*"

The use of mere ordinary skill in changing the form is not sufficient.

Smith v. *Nichols*, 21 Wall., 112.
Pearce v. *Mulford*, 102 U. S., 112.
Slawson v. *R. R. Co.*, 107 U. S., 649.
Munson v. *Mayor, etc.*, 124 U. S., 601.
Burt v. *Evory*, 133 U. S., 349.
Watson v. *R. R. Co.*, 132 U. S., 161.
St. Germain v. *Brunswick*, 135 U. S., 227.
Ansonia Brass & Copper Co. v. *Electrical Supply Co.*, 144 U. S., 11.
Hoyt v. *Horne*, 145 U. S., 302.
Knapp v. *Morss*, 150 U. S., 221.
Market St. Ry. Co. v. Rowley, 155 U. S., 629.

The "novelty should be in the means or mechanical device," not in mere change of form.

Woolensack v. *Sargent*, 151 U. S., 221.

The royalty paid appellant on the Glidden, Kennedy and every other kind of rigid barb, as well as on all "loose barbs," was because they were simply a change in the form involving only ordinary skill.

Brinkerhoff made no claim that there was any invention in the fact that the barbs were made of sheet metal.

In the earliest letters patent, Hunt says: "spurs" (barbs), can be made of refuse sheet metal, by "dies." (No. 66,117; R. 804.)*

The Kelly barb was a sheet metal barb, as was the Kennedy barb. Sheet metal barbs were in public use long before the Brinkerhoff patent was issued. Brinkerhoff makes no claim for invention as to the form of barb. In fact, the Court held in the Haish case that there was no invention as to the *form* of the barb. (R. 772.)

In March, 1879, appellee wrote to their counsel (Coburn) that the owners of the Brinkerhoff patent "desired to be licensed under the Hunt and the Charles Kennedy patents."

Appellee admits the Kennedy barb to be barb wire and that it infringed the Hunt patent in that it was a barb "having a barb or thorn."

Appellee admitted that the Brinkerhoff wire infringed the Kennedy patent, in that the barb was fixed upon the wire. The wire length on which the Kennedy barb was fixed was round, not flat.

The barb made under the Brinkerhoff letters patent was identical in principle and form with the Kennedy barb.

The Kennedy Letters Patents No. 153,965, dated August 11, 1874 (R. 827), was for a barb made of sheet iron cut in various forms, having sharp points, and provided with an extension or small shoulder, to be clasped upon the wire, "the socket has a slit on one side so it can be placed on the wires. * * * the barbs or protectors can be readily fastened on the wires by means of a pair of pinchers having suitable jaws."

The principle involved in the Brinkerhoff patent and the Kennedy patent is identical, *viz*, fixing a sheet metal barb upon a wire, flat or round, by fastening the barb thereon by means of pincers, or other

*Almost one-third of the barb wire patents have sheet metal barbs.
Kelly, (R. 805); Haish, (R. 825); Kennedy, (R. 827–832); Stover, (R. 835–888); F. Armstrong, (R. 841–853–859–878); Wormley, (R. 843); Frentress, (R. 844, 848); Harsha, (R. 866–880); Scutt, (R. 868–915–944); Watkins, (R. 890); Knickerbocker, (R. 892); Hunt, (R. 914–923); Chas. E. Kelley, (R. 921); Pederson, (R. 947); Havenhill, (R. 949); Parker, (R. 965); Lord, (R. 977); Weaver, (R. 979); Crandal, (R. 982–1009); Baker, (R. 995); Brinton, (R. 1005); Dodge, (R. 1020); Barker, (R. 1024); Elsey, (R. 1045); Upham, (R. 1075–1079).

suitable appliances, bending the lips of the barb (Brinkerhoff) or shoulder or lips of the barb itself (Kennedy) around the wire.

The Kennedy barb could be as easily applied to flat, oval, or square wire as to a round wire; *e converso*, the Brinkerhoff barb could as easily be applied to a round wire as to a flat wire. In neither barb is it necessary, in constructing the barb as described in the letters patent, that the lips or edges of the lips or shoulders should meet, enough of the lips or shoulders of the barbs being clasped on the wire to fasten the barb on the wire. If the Brinkerhoff strip is not barb wire, why seek a license to manufacture under the Kennedy patent? Will counsel tell us what claims of the Kelly letters patent the Kennedy infringed, which the Brinkerhoff patent does not infringe? Admitting the Kennedy to infringe the Kelly patent appellee must admit the Brinkerhoff to infringe the Kelly also. There was no new principal shown in the Brinkerhoff barb over that shown in the Kennedy barb.

Washburn testifies that the loose barbs which appellee manufactures and under which it in fact paid a royalty to appellant, was the barb shown under said Kennedy letters patent No 153,965, and 164. 181, (the barbs being identical in both the Kennedy letters patent.)

Appellee covenanted to pay to appellant a royalty of one cent per pound on all *loose* barbs which appellee or its licensees should sell. In the license to the Ohio Steel Barb Fence Co. it is recited that appellant has licensed Pooler & Jones of Serena, Illinois, "to make, use, and sell the loose barb known as the 'Pooler & Jones barb.'" (R. 308)

Appellee manufactured "loose" barbs of the form, made under the Kennedy and Pooler & Jones Patents, (R. 872) during the entire term of the contract and paid appellant, as shown by the reports in evidence, royalty upon the barb, as late as October, 1873. (R. 1175).

The "Pooler & Jones Barb," shown in letters patent No. 181,537, is neither more nor less an infringement of the Kelly idea or Kelly patents than the Kennedy barb or the Brinkerhoff barb. This barb could as easily be applied to a flat wire, as the Brinkerhoff. The Kennedy, Pooler & Jones, and Brinkerhoff barbs are only three of the "great variety of barbs" which the court held would "produce

only one result," namely, a barb fixed in place upon wire so that it can not revolve around or move laterally upon the wire. This result was produced, as shown in Kelly re-issue letters patent No. 6,902, by force of *pressure* applied to the barb when fastening it around or upon the wire, by "compressing" the barb by "a hammer or otherwise," in the Kelly wire; "clasped upon the wires by means of a pair of pincers having suitable jaws," in the Kennedy wire; "firmly clasped upon the wire," in the Pooler & Jones wire; or, "clinched over the edges of the fence strip," in the Brinkerhoff wire. These barbs were applied on a single strand wire.

But counsel say also, because the Brinkerhoff wire is a single strand wire, therefore, does not infringe the Kelly patents.

Appellee granted licenses to an annual tonnage of 20,000 tons on single strand wire. In the list of "barbed wire" patents owned by it, under which it granted license prior to February 12, 1885, are found forty-five* different letters patent upon barbs of single strand wire, each one of which differs in the specific style of barb, and also in the mode of its construction, from the wire described in the Kelly patents. In each the barb is *fixed* by means of force in place so as not to revolve upon the wire, or move laterally.

Appellee insisted below that the Brinkerhoff wire belonged to a class of wire covered by the Judson patents and was, therefore, *not barb wire.*

The only style of Brinkerhoff wire made by appellee was made under Letters Patent No. 214,095.

In the Judson patent, the barb, as stated in the original letters patent, was formed by bending the edges of the hoop or band iron

*Haish, 164,552, R. 834; Kennedy, 153,965, R. 827; Mack, 162,835, R. 831; Dobbs & Booth, 171,104, R. 849, 171,105, R. 851; Colwell, 175,667, R. 855; Jayne & Hill, 176,120, R. 858; Allen, 178,581, R. 863; Decker, 178,605, R. 864; Glidden, 181,433 R. 869; Miller, 181,533, R. 871; Brown, 182,351, R. 876; Armstrong, 182,626, R. 878; Harsha, 179,555, R. 866; 182,819, R. 880; Weber, 182,976 R. 883, Evans, 183,552, R. 886; Bagger, 183,883, R. ; Knickerbocker, 185,333, R. 892; Nelson, 185,346, R. 894; Merril, 185,688, R. 895; Putnam, 187,172, R. 905; Kittleson, 189,047, R. 908; Stover, 164,947, R. 835; 190,167, R. 912; Scutt, 193,557, R. 915; Parker, 194,260, R. 918; Hunt, 197,729, R. 923; Rose, 198,688, R. 927; Mighell, 199,924, R. 931; Charles F. Washburn, 200,494, R. 933; Wing, 200,783, R. 935; Thomas H. Dodge, 201,507, R. 936; 250,219, R. 1,020; 250,899, R. 1,022; Orwig, 201,890, R. 940; Reynolds, 203,779, R. 943; Tysdal, 208,001, R. 957; Pitney, 208,538, R. 961; Miles, 208,688, R. 963; Munson, 214,417, R. 973; Upham, 239,891, R. 1,003; Brinton, 241,841, R. 1,005; Gunderson, 249,173, R. 1,011.

wire *itself*, and, as described in the 2d and 3d claims under the re-issue (No. 8,076, February 19, 1878), "A new article of manufacture for the lengths of a fence-metallic material provided with projecting spurs or bars *integral* therewith," and improved "fencing material, consisting of a metallic *strip*, or bar wrought into form suitable for fencing, and having spurs, or barbs formed *on* the edge thereof *and integral therewith*."

Mr. C. F. Washburn was asked, on cross-examination, "In what letters patent is the specific style of wire that you have designated the 'Brinkerhoff Metal Strip Fencing,' a sample of which has been attached to your previous deposition," answered: "In patents No. 118,135 (R. 815), issued to Lyman P. Judson, August 15, 1871, and its re-issue; and No. 214,095 (R. 969), issued to Jacob Brinkerhoff." But, to the question, "Please point out in the letters patent 118,135 and the re-issue thereof, or the drawings attached thereto, the specific style of wire to which your attention has been called:"

"Answer: This particular style does *not happen to be in the drawings attached to such patent*." (R. 483.)

In all cases the entire barb made under the Judson patent is cut from *one piece of sheet metal*, in the integral part of the strip or wire length.

The Brinkerhoff barbs in all cases are made from *separate pieces* of sheet metal and *distinct from* the fence wire (or wire lengts), and therefore, are not the style of barbs described in, nor similar in any manner to the barbs described in or covered by the Judson letters patent 118,135.

And appellee's expert witness, Powers, expressly says, that the Brinkerhoff barb wire does not infringe any of the claims of the Judson patent. (R. 719.) To such shift is appellee driven to attempt to get out of its contract.

After having spent ten years in the employ of appellee to show that all styles of wire infringed their bottom patents, including the Kelly, Mr. Powers now claims to have discovered the fact, that the Brinkerhoff and Kelly barbed wire patents infringe letters patent No. 63,482 (R. 797), issued to Alphonso Dabb. Whether or not the Brinkerhoff barbed wire, infringes the Dabb patent is not in issue in

this case; and finally on cross-examination Mr. Powers does admit it does not. (R. 719.)

Whether the Kelly patent does or does not infringe the Dabb patent, or is or is not a prior patent, is not at issue in this case. Even if it were at issue, it must be considered as settled that the Kelly patent does not infringe; nor was it anticipated in the said Dabb patent.

In the Haish case, Haish set up in his answer as showing prior public use and anticipation of the invention described in the Kelly letters patent, the Dabb patent as one of such "barbed wire" patents. (R. 358.)

The Court found in favor of appellee therein, and appellee is estopped now from asserting the contrary. This, then, removes the Dabb patent also entirely from this case, if it were involved.

Appellee claims that it had different advertisements for Brinkerhoff wire, than it had for the Glidden wire. Forms of these advertisements are in evidence. (R. 385.) These price-lists were such as were sent out to individual customers of appellee, and were not intended in any way to show the Brinkerhoff wire, as any other different article than barb wire. The only difference is in the specific style of wire, shown as the difference between the Hunt, Kennedy, Scutt, Ross, Frentress, and numerous other styles, each of which was extolled in trade by its manufacturers as possessing superior qualities over other forms of barb wire, and were known by the name of the patentee. Appellee did not commence to manufacture the Brinkerhoff wire until May, 1880. (R. 390.)

Appellant having learned from outside sources in October, 1881, that appellee was manufacturing Brinkerhoff wire, wrote to appellee and asked whether such wire was included in its reports.

Appellant had no means of knowing what wire was included in appellee's reports. None of the reports rendered specified the kinds of wire on which appellee paid royalty. In answer to appellant's inquiry, appellee answered that the Brinkerhoff wire was not included in the reports, and Calkins testifies that this letter was the first information which came to appellant that royalty on such wire was not included in such reports. (R. 100.)

On October 26, 1881, appellant wrote, "In reference to the Brinkerhoff strip *which you state to us for the first time* that you have not been reporting under our agreements, we confess was a surprise to us, as it is our belief that the Brinkerhoff strip as made by you is clearly covered by our several agreements, and that you should pay us a royalty thereon, the same as on the other forms of barb wires. We trust you will give this matter further consideration." (R. 187.) Appellee made no reply to this letter of appellant, and no further correspondence on this point passed in reference to the Brinkerhoff wire during the term of the contract. Appellant having taken its position that such wire was covered by this contract, and appellee making no answer to such letter, had the right and was led to believe that appellee thereafter would report such wire.

Appellant was then led to believe that upon such further consideration appellee coincided with appellant that royalty was due it on the Brinkerhoff wire, the same as on every other form of barb wire manufactured or licensed by appellee, and that royalty thereon was being paid by appellee. At no time thereafter during the life of the contract did appellee notify appellant that royalty on such wire was not included in its reports.

It appears from the statement in evidence, that appellee made and sold, at least, 4,000 tons of the Brinkerhoff wire, prior to February 12, 1885. (R. 390.) On this wire appellee paid no royalty. Appellant is entitled to a royalty varying 25c., 15c. and 5c. per 100 lbs., according to its contract. The exact amount can only be ascertained by an examination of the books of appellee. But, from said statement in evidence, furnished by appellee, such royalty can not be far from $10,000., independent of interest thereon.

FIFTH, EIGHTH, TENTH, ELEVENTH, TWELFTH, THIRTEENTH, FOURTEENTH, FIFTEENTH AND SIXTEENTH ERRORS.

The matters involved under these errors have naturally arisen in connection with the other errors, already discussed.

If the Court shall hold with appellant then

(1) Appellant is entitled to interest upon the various amounts due appellant.

By the terms of the contract, a statement of the amount due appellant "accompanied by a remittance of such portion of the amount received * * * as shall be due (appellant) under the provision of this agreement, the said statement and remittances to be sent to (appellant) at No. 277 East Madison Street, Chicago, Illinois, or such other address as (appellant) may designate." (R. 4. § 3.)

The place of performance of this contract, therefore, was at Chicago.

"The place of performance governs the rate of interest."

Parsons on Contracts, 94, 95.
Cox v. *United States*, 6 Peters, 172.
Strother v. *Lucas*, 12 Peters, 410.
Andrews v. *Pond*, 13 Peters, 65.
Young v. *Godbe*, 15 Wall., 562.

The statutes of the State of Illinois relating to interest provide:

"Creditors shall be allowed to receive at the rate of six per centum per annum, for all moneys after they become due on any bond, bill, promissory note or other instrument in writing." Chapter 74, R. S. Illinois, § 2.

Appellant is entitled to interest from the date the respective payments became due.

Curtis v. *Innerarity*, 6 How., 146.
Brewster v. *Wakefield*, 22 How., 118.
Young v. *Godbe*, 15 Wall., 562.

(2) Counsel, for some reason impossible for us to conceive, claim that because the market price of barb wire falling from 14c. per lb. in 1876, to 4½c. per lb. in January, 1885, and by reason of improvements in the machinery for manufacturing barb wire, and for other causes tending to reduce the cost of the manufacture of such wire, appellee is entitled in construing the contract to some peculiar consideration of the court. These are matters with which this court is not concerned. The fluctuations in the prices of material for manufacturing barb wire, the cost of manufacturing, and the law of supply and demand were all matters which appellee fully considered before entering into the contract with appellant, and are outside the contract.

Still, while the price of barb wire in these nine year fell from 14c. to 4½c., or to one-third, the cost of manufacturing also fell in about the like proportion, (R. 486.) and the cost of the raw material about one-half, (R. 488). The royalty which appellee was compelled to pay, fell from 1, 1–8c. to 1–10c. per lb.; and, while the price at which barb wire was sold thus decreased to one-third, the royalty received by appellant was reduced to less than one-seventh. We can not see the relevancy of this testimony.

(3) Counsel also claim that because appellee has paid appellant upwards of $700.000., under its contract, that it has performed its entire duty. Yet, appellee paid the sum of $525,000. as royalty for an undivided half of the Glidden patent, a patent *subsidiary* to the Kelly patent, *prior to February* 12, 1885. It is true that the sum of money paid appellant as royalty is large, but not one cent of the royalty paid to appellant by appellee came from appellee's pocket. The royalty upon its own wire was added to the selling price and collected from its customers. The royalty upon the licensees' sales was first paid to appellee before being paid to appellant. Because it has paid some money is no reason is should not perform its contract in full. There is no claim made that the contract with appellant was inequitable or that appellee lost money by such contract. If so, why did appellee retain the patents during the full term of the contract when it had the right under the contract, to return the patents to appellant at any time and cease to operate thereunder. This course would have left appellant in a position to have exercised its rights under such patents in such manner as appellant thought would render the patent properties most valuable to itself. No one made the Hunt or Smith styles of wire. All the other bottom patents under which appellee issued its licenses, viz: the Glidden, Kennedy, Haish and every style of barb wire having a fixed or rigid barb paid royalty to it under the Kelly patent. The contract to pay royalty was entered into by appellee upon mature consideration, and after full examination by learned counsel as to the state of the art of all letters patent relating to barb wire, and with knowledge that all styles of wire it then made were subject to the Kelly patents.

If, through appellee's own acts, the purchase of the Haish patents made it burdensome to comply with the terms of its contract, this is no reason why the court should not compel appellee to perform its contract and grant appellant the relief to which it is legally and equitably entitled. *Marble Co.* v. *Ripley*, 10 Wallace, 339.

Or, as was said by Justice BRONSON, in *Pearson* v. *Williams' Admn.*, 24 Wend., 244:

The Court is not "At liberty to speculate upon the probable consequences of holding parties to their agreements, so long as they keep within the boundaries of the law and practice no fraud. Our business to see that their contracts are enforced. We have no dispensing power."

If appellant has received a large amount of money from appellee under this contract, appellant has also abated during the term of its contract, and *at the instance of appellee*, of over $1,500,000. ($738,000. under agreement of December 2, 1878; $581,000. under agreement of August 7, 1879, and $244,000. under agreement of June 13, 1883), a sum of money more than double the amount it has received. It may be that by reason of such abatement appellant received increased benefits, but appellee also received like benefits of such abatemants, as well as the profits of the increased sales caused largely by the reduction in the selling price of barb wire, such market price of barb wire, allowing the licensees a fair profit over and above the paid royalty. Prior to January, 1881, such selling price also included the ½c. per lb. net profit on wire sold to Scutt, and ⅛ litigation fee. Kennedy was paid in full about January, 1881. Putnam was paid in 1882. Appellee retained, as its own, 30c. per 100 lbs. royalty between January 1, 1881, and May 1, 1883, and 20c. between May 1, 1883, and February 12, 1885.

It requires but little calculation to show from the statements in evidence of amount of barb wire sold that appellee collected and retained as its own, royalty upwards of $2,000,000., after paying all litigation expenses and royalties to appellant, Glidden, Kennedy and Putnam, to say nothing of its own profits upon the increased manufacture and sale of plain wire, or profits from sales under its patents outside the United States.

This is a pretty fair return when the only actual outlay in money

by appellee was the $60,000. paid to Glidden, which was paid, not only for his interest in his patents, but also for his "plant" and a well-established business. Nor does this include appellee's profits since February 12, 1885, for the period of the licenses ending February 24, 1894. Nor does it include appellee's rights under many valuable patents, running many years after that date, many of which are still owned by it.

These matters, however, although set out in the answer, have nothing to do with the real issues in this case.

(4) We regret the exceeding length of this argument, but the matters involved, the peculiar fiduciary relation between the parties, and the failure of the court below to write an opinion, so as to relieve this court of the burden of examining this large record, and the necessity of our discussing this entire case, is our only excuse.

We do not think it possible, upon a fair examination of the facts in this record, for the court to shut its eyes to the fact that an unconscionable advantage was taken of appellant, at the time the release of July 27, 1881, was executed; that appellee failed utterly in its duty of a trustee or agent in not then imparting to appellant full and complete knowledge of the amounts of money received by it in the settlements for which such release was given.

Appellant should not be compelled to rely upon the *ipse dixit* of what appellee says its books contain, or its account of transactions under which it acted as agent for appellant.

Appellant is entitled to and should have the benefit, as appellee, of the same full light of all the facts relating to the items of accounts.

If this court shall hold it is not so entitled, then, this court makes it possible in any case, where an agent has in its possession vouchers, papers or moneys of its principal, for such agent to compel his principal to take just sum of money the agent is willing to give the principal in settlement.

That is the case at bar so far as relates to the release of July 27, 1881. Under the principles repeatedly announced in this court, and under the authorities, such release ought not to be permitted to stand. All settlements made between appellee and its licensees were made

without consultation with and in disregard of appellant's rights. Is appellant to be deprived of the right to investigate said settlements involving property rights to upwards of $100,000., and must we sit idly by and in every instance rely upon appellee's statement of what it did, and to such statement say we willingly submit?

There is equitably due appellant, at least, the additional sum of $170,000. on account of money received by appellee in settlement of back damages, prior to January 1, 1881; at least, the sum of $15,000. on account of damages and bonus money received since that date; the sum of $13,000. received for royalty for the month of May, 1883; the sum of $10,000. for royalty on account of the Brinkerhoff barb wire; and the sum of at least $65,000. on account of royalty settled or compromised without the knowledge or consent of appellant, or which could have been collected by the exercise of due diligence and lawful means by appellee.

We are not urging an unconscionable claim upon the consideration of the Court. Appellant's claim arises out of such confidential relations, which it is the peculiar province of a court of equity to see are conducted with the utmost fairness and open-handedness.

Appellee has enjoyed unmolested the property rights acquired under its contract with appellant.

By that contract appellee became possessed of and now unjustly retains a large amount of appellant's money. The items of that account and the manner of its dealing, it refused to disclose until compelled by this proceeding, and this but partially. It managed and conducted this trust for its own benefit at the expense of appellant. It denied the trust relation and refused to account. It has not acted in good faith towards appellant.

It has neither paid money, changed its course of business, suffered damage, or incurred any obligation by reason of any act of appellant. It retains money legally and equitably due appellant. For the royalty which it ought to have collected, but which it failed to collect, it received full consideration.

Appellant has not waived any of its rights. Appellant has fulfilled the letter as well as the spirit of its contract.

The principal amount due appellant aggregates nearly $300,000. To this should be added interest for an average of more than twelve years, making the total amount in the neighborhood of *half a million* dollars.

We respectfully submit that the decree entered in the court below dismissing appellee's cross-bill should be affirmed; that the decree dismissing appellant's amended bill of complaint should be set aside; that this cause should be remanded to the lower court, with instructions to render a decree therein in accordance with the prayer of appellant's amended bill, and to refer the case to a master for the purpose of ascertaining the amount of money due from appellee to appellant, upon a full and complete accounting as therein prayed for.

Respectfully submitted.

GEORGE C. FRY,
Of Counsel for Appellant.

SYNOPSIS OF ARGUMENT.

Page of Arg'mt

(*a*) (1) The contract by its terms..... 30

(2) As well ast he construction of the contract by the acts of parties themselves..... 37

Show it was the intention of appellee to pay appellant royalty on all barb wire for which appellee should receive pay in any form.

(*b*) The construction to be given to the supplemental contract of August 7th, 1879, is that appellant's reduction of royalty to 15c. did not commence until January 1, 1881..... 44

Courts should construe the covenants as dependent covenants and not as independent covenants..... 47

Appellee did not, in fact, reduce its royalty to 75c. until January 1, 1881..... 50

This is also shown in the case of the manufacture of H. B. Scutt & Co..... 53

The royalty was not reduced because Putnam refused to reduce his royalty to appellee..... 54

The real reason why appellee did not reduce the royalty sooner, was because it had covenanted with Scutt and the Ohio Steel Barb Fence Co. not to issue licenses in excess of 5,000 tons, in any one year, without their consent, under heavy money damages..... 55

Appellant is not estopped from saying there was no reduction of royalty..... 58

Appellant is not estopped by any act of Stiles prior to January 1, 1881, because he was then acting in the employ of appellee 61

(c) Matters occurring on and prior to July 27th, 1881.

Appellee was not complying with the contract of August 7, 1879, when exacting a bonus, in addition to the royalty of 75c 67

All manufacturers of barb wire throughout the country sought license from appellee upon the rendition of the barb wire decisions in January, 1881 71

26,000 out of the 50,000 annual tonnage was issued to licensees residing out of the 7th Judicial Circuit 72

Applications for license were in writing 72

The manner in which licenses were issued by appellee 72

No license issued without the consent of Ellwood .. 72

Knowledge of appellant at the time of issuance of licenses ..... 74 to 81

60c. per 100 lbs. was charged by appellee as the amount of damages for past infringements 77

Difficulty of appellant in obtaining information at the time of granting licenses in January, 1881 ... 78 to 79

Washburn promised in February, 1881, to send appellant a full statement of the amount of back damages and bonus money, immediately upon his return to Worcester 79, 80

Appellant wrote appellee March 21st, calling for statement and report of moneys received in settlement with licensees in January, 1881 82

Appellee wrote appellant in reply that it would send

appellant a report and statement as soon as Ellwood should reach Worcester, in April..... 82

Ellwood reaching Worcester, appellee sent no statement but sent an opinion of its attorney, Thomas H. Dodge, claiming it is not liable to appellant for back damages collected..... 83

Opinion of Lyman Trumbull as to appellant's contract..... 83

Appellee concealed from appellant the fact that it was then entering upon its books, to the credit of appellant, royalty at the rate of 15c. per 100 lbs. upon all back damages collected..... 85 to 87

Dodge's opinion does not cover the questions involved..... 88

Appellee misrepresented the amount of money paid out by it in litigating its barb wire patents..... 91 to 94

Appellee threatened to break its contract with appellant for plain wire, if appellant insisted upon its rights to the back damage money under its contract..... 94

Appellee collected in January, 1881, at least $257,000. on account of back damages, and $64,000. bonus money..... 96

Appellee also allowed by way of abatements in royalties for patents assigned by the licensees to it and Isaac L. Ellwood, the further sum of $90,000. 98

There was due appellant July 27th, 1881, at least $187,000., and appellee refusing to disclose the amount of money received, and appellant fearing endangerment of its entire license system, and imperiling of future royalties, without knowledge of

the amount of such money, that appellee had received, appellant took $10,000., and executed the release of July 27th, 1881..... 101
Appellant also released existing claims against appellee account royalty from Haish to the further amount of $44,000..... 100
Release of July 27, 1881..... 104
This release does not purport to cover back damages to be recovered after July 27, 1881..... 107
Appellant first learned the amount of bonus and back damages after the institution of this suit.... 110
There was due appellant from appellee July 27, 1881, upwards of $22,000. for royalty on account of the manufacture of the Ohio Steel Barb Fence Co..... 112
There was then also due appellant from appellee July 27, 1881, $3,685.65, as additional royalty on account of H. B. Scutt & Co..... 116
There was then due appellant from appellee as additional royalty upon the sales of itself and I. L. Ellwood & Co., $22,601.53. These three amounts of money have not been paid..... 117
The license issued to Stiles & Calkins was no part of the consideration for appellant's release..... 120
The $10,000. paid appellant by appellee being only a part of the money then due appellant, (there being no new or additional consideration) was not a sufficient consideration in law for such release.... 124
The inadequacy of consideration is so gross in connection with the facts and circumstances surround-

ing the execution of the release, that the same ought not be permitted to stand..... 126
There was no accord and satisfaction. The contract between the parties determines their rights. 127
Appellee failed to perform its duties as an agent or trustee of appellant..... 129 *et seq.*
The defense of Limitations is not applicable to this case..... 143
The defense of Laches is not applicable to this case. 144
The release and account being regularly before the Court, it will inquire into the legal effect and degree of weight to which the release is entitled.... 152 *et seq.*
The parties did not stand at arm's length when making this release..... 159
This case does not fall within the principle of an account rendered, because not objected to within a reasonable time..... 161
Appellant and appellee having agreed upon a fixed rate of royalty, such fee should be taken as a measure of damages in determining the amount due appellant..... 164
The Court having acquired jurisdiction will retain jurisdiction and grant any relief to which appellant is entitled under the Bill..... 164
Appellant was entitled to an additional royalty of 10c. per 100 lbs. upon royalty of appellee's licensees for the month of May, 1883..... 166
Appellee's contract with Haish..... 169
Appellant's release to royalty on Haish's individual manufacture..... 170
The Haish patent properties were of great value... 171

The object of appellee in purchasing the Haish patent properties was to enable it to control the barb wire business after the expiration of appellant's patents, and relieve itself and Ellwood from liability to Haish, under his patents..... 172
Appellee did not buy these patents for the benefit of appellant since appellant did not infringe either the barb wire or machine patents..... 174
Appellee did not purchase the Haish patents for the benefit of its licensees..... 175
The purchase of these patents was decided entirely upon by appellee's Directors..... 179
Representations and statements made to appellant at the time of its executing the Haish paper, that such release was to be solely upon Haish's individual manufacture..... 180
Appellant's release was solely as to royalty upon Haish's individual manufacture..... 185
Appellee did not make the Haish purchase at the request of Glidden..... 191
Appellee did not make the Haish purchase at the request of its licensees..... 193
The paper signed by its licensees, releasing appellee from all claims by reason of such purchase is binding upon each licensee, who signed the same. 194
Haish purchase not made at request of appellant... 195, 199
There was no duty on the part of appellant to speak when appellee made this purchase, and no estoppel can be raised against appellant by reason of the paper then executed by it..... 199

Appellant changed its condition by reason of representations made by appellee as to the nature of the Haish purchase..... 202
The manner of paying for the Haish patent properties was the same as that pursued by appellee in its purchase of other bottom patents..... 203
Appellant is not estopped by the suit of the Chicago Galvanized Wire Fence Co. as to its effects upon the licenses of appellee..... 207
The amendment to appellee's contract of June 12, 1883, made no exception as to royalty, on account of the previous Haish purchase..... 211

APPELLEE'S CROSS BILL..... 214
Appellant is not liable to appellee by reason of any covenant contained in the Haish release..... 215
All money paid back by appellee to its various licensees and sought to be recovered from appellant, was paid to appellant with full knowledge on the part of appellee of all the facts and circumstances relating to the Haish purchase..... 215

All settlements made between appellee and its various licensees were made without any consultation with or knowledge on the part of appellant..... 225
Appellee's licensees did not withhold payment of royalty by reason of the adverse decision of Judge Treat in 1883..... 230
Appellee released its various licensees without making any effort to ascertain the amount of wire

manufactured by them during the period covered by such release..... 233
Appellee released upwards of $63,000. back royalty due appellant..... 237
Appellee is liable to appellant for all sums of money which it remitted, or for which it received notes in payment, or which it could have collected by the exercise of reasonable diligence..... 239
There was no delay in instituting this suit..... 244
Appellant is not bound by any act of Stiles and Calkins as licensees of appellee..... 244
Appellant is not bound by any action of Stiles, as President of the Manufacturers' Equitable Association..... 248
Appellee had full knowledge of the powers of the officers of appellant, having been furnished with copies of its By-laws, which showed the powers of such respective officers..... 255
Appellant is liable under the terms of its covenant for royalty upon all Brinkerhoff barb wire..... 263
Appellee was never evicted but enjoyed the benefit of its covenants for the full term of its contract, and is now estopped from saying the Brinkerhoff barb wire is not within the terms of its contract.. 266
The Brinkerhoff barb wire is but one of the numerous forms of barb wire which were held by Judge Drummond, to be a mechanical equivalent of the Kelly wire, and one of the forms of barb wire which were always claimed by appellee to be covered by the Kelly patent..... 270 *et seq.*

APR 13 1895
JAMES H. McKENNEY,
CLERK.

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1894.

THE WASHBURN & MOEN MANUFACTURING COMPANY, *Appellant*,
vs.
THE THORN WIRE HEDGE COMPANY, *Appellee*.
No. 323.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

STATEMENT AND BRIEF FOR APPELLANT.

F. W. LEHMANN,
C. G. WASHBURN,
Attorneys for Appellant.

A. R. FLEMING & CO., PRINTERS, 522 N. Third Street, ST. LOUIS, MO.

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1894.

THE WASHBURN & MOEN MANUFACTURING COMPANY, *Appellant*,
vs.
THE THORN WIRE HEDGE COMPANY, *Appellee*.
No. 323.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

STATEMENT.

This is a cross-appeal, taken in case No. 322 by the Washburn & Moen Manufacturing Company from the decree of the Circuit Court dismissing its cross-bill.

The general nature of the controversy between the parties has been fully stated in the briefs and arguments in the main case, and needs not to be re-stated here.

The complainant in the cross-bill sought first to recover money paid to the defendant by mistake and oversight, and, second, to recover money which complainant had paid to defendant, and was afterward compelled to refund to the licensees from whom it had been collected.

On January 31st, 1885, the Washburn & Moen Manufacturing Company paid to the Thorn Wire Hedge Company $966.06 on account of royalty on wire sold by the Lyman Manufacturing Company during May and June, 1883, In April, 1885, by inadvertence and mistake of a book-keeper, it paid the same amount of money on precisely the same account (622). There was also a double payment of $59.91, on account of wire made and sold by the National Wire Company (632).

The Chicago Galvanized Wire Fence Company brought suit against the Washburn & Moen Manufacturing Company to recover royalties which it had paid on wire made and sold after the date of the settlement with Jacob Haish, and to enjoin the Washburn & Moen Manufacturing Company from attempting to make any further collection of royalties from the complainant in that case. This suit was prosecuted to a successful issue. It was held by the Supreme Court of Illinois, 109 Ill. 71, that the agreement with Jacob Haish was, in effect, a free licence to the extent of four thousand tons per annum, and to that extent, if their licensed tonnage was so large, the other licensees were entitled to manufacture and sell barb wire without payment of royalty; and the Chicago Galvanized Wire Fence Company was adjudged to be entitled to recover, and it did recover back, all that it had paid in the way of royalty after the date of the settlement with Jacob Haish.

Other suits were brought by other licensees, but they were disposed of by compromise, and the amount paid back to the licensees by the Washburn & Moen Manufacturing Company was in each case less than the amount of the royalties which had been paid by the licensees on wire made and sold after the date of the settlement with Jacob Haish. In other words, in each and every case in which a compromise was made the Washburn & Moen Manufacturing Company secured concessions favorable to itself. As a result of the decree in the case of the Chicago Galvanized

Wire Fence Company, and the compromises made in the other cases, the Washburn & Moen Manufacturing Company refunded royalties which it had collected, as follows:

To the Crandall Mfg. Co., - - -	$14,802.20
" " Iowa Barb Wire Co., - - -	20,000.00
" " Chicago Galv. Wire Fence Co., -	28,500.00
" " Ohio Steel Barb Fence Co., - -	44,870.53
" " Cincinnati Barb Wire Fence Co., -	5,294.63
" " Lock Stitch Fence Co., - - -	12,500.00
" Fish & Connell, - - - - - -	4,260.00
" W. J. Adam, - - - - - -	4,000.00
Making a total of	$134,227.36

Of this amount the Thorn Wire Hedge Company had received the sum of $28,845.00 (370 *et seq.*).

The complainant insists that, inasmuch as these moneys should never have been collected from the licensees, the Thorn Wire Hedge Company was not entitled to receive any part of them, and the Washburn & Moen Company having been compelled to refund the entire sum to the licensees, the Thorn Wire Hedge Company should refund the portion it received to the Washburn & Moen Company.

The Circuit Court denied the relief sought.

Assignment of Errors.

1. The court erred in holding that complainant was not entitled to recover the money paid to defendant by mistake.

2. The court erred in holding that complainant was not entitled to recover from defendant the money it had paid as royalties, and which it was compelled to refund to the licensees from whom it had collected the same.

3. The court erred in dismissing the cross-bill herein.

On January 31st, 1885, the Washburn & Moen Manufacturing Company paid to the Thorn Wire Hedge Company $966.06 on account of royalty on wire sold by the Lyman Manufacturing Company during May and June, 1883, In April, 1885, by inadvertence and mistake of a book-keeper, it paid the same amount of money on precisely the same account (622). There was also a double payment of $59.91, on account of wire made and sold by the National Wire Company (632).

The Chicago Galvanized Wire Fence Company brought suit against the Washburn & Moen Manufacturing Company to recover royalties which it had paid on wire made and sold after the date of the settlement with Jacob Haish, and to enjoin the Washburn & Moen Manufacturing Company from attempting to make any further collection of royalties from the complainant in that case. This suit was prosecuted to a successful issue. It was held by the Supreme Court of Illinois, 109 Ill. 71, that the agreement with Jacob Haish was, in effect, a free licence to the extent of four thousand tons per annum, and to that extent, if their licensed tonnage was so large, the other licensees were entitled to manufacture and sell barb wire without payment of royalty; and the Chicago Galvanized Wire Fence Company was adjudged to be entitled to recover, and it did recover back, all that it had paid in the way of royalty after the date of the settlement with Jacob Haish.

Other suits were brought by other licensees, but they were disposed of by compromise, and the amount paid back to the licensees by the Washburn & Moen Manufacturing Company was in each case less than the amount of the royalties which had been paid by the licensees on wire made and sold after the date of the settlement with Jacob Haish. In other words, in each and every case in which a compromise was made the Washburn & Moen Manufacturing Company secured concessions favorable to itself. As a result of the decree in the case of the Chicago Galvanized

Wire Fence Company, and the compromises made in the other cases, the Washburn & Moen Manufacturing Company refunded royalties which it had collected, as follows:

To the Crandall Mfg. Co.,	$14,802.20
" " Iowa Barb Wire Co.,	20,000.00
" " Chicago Galv. Wire Fence Co.,	28,500.00
" " Ohio Steel Barb Fence Co.,	44,870.53
" " Cincinnati Barb Wire Fence Co.,	5,294.63
" " Lock Stitch Fence Co.,	12,500.00
" Fish & Connell,	4,260.00
" W. J. Adam,	4,000.00
Making a total of	$134,227.36

Of this amount the Thorn Wire Hedge Company had received the sum of $28,845.00 (370 *et seq.*).

The complainant insists that, inasmuch as these moneys should never have been collected from the licensees, the Thorn Wire Hedge Company was not entitled to receive any part of them, and the Washburn & Moen Company having been compelled to refund the entire sum to the licensees, the Thorn Wire Hedge Company should refund the portion it received to the Washburn & Moen Company.

The Circuit Court denied the relief sought.

Assignment of Errors.

1. The court erred in holding that complainant was not entitled to recover the money paid to defendant by mistake.

2. The court erred in holding that complainant was not entitled to recover from defendant the money it had paid as royalties, and which it was compelled to refund to the licensees from whom it had collected the same.

3. The court erred in dismissing the cross-bill herein.

BRIEF.

There is no question of fact involved. The complainant did by mistake make payment twice of the items of royalty specified in the cross-bill, and it did, under compulsion of judicial decree, refund to certain of the licensees royalties which it had collected from them on wire made and sold after the date of the settlement with Jacob Haish, the due proportion of which it had previously paid to the Thorn Wire Hedge Company.

As to the double payments of royalty, the mere statement of the case is enough.

As to the royalties refunded to the licensees, the case seems to be scarcely less plain.

The Thorn Wire Hedge Company, as we have shown, authorized and approved the settlement with Haish.

When the question of the effect of that settlement on the contracts of the licensees was raised by the Chicago Galvanized Wire Fence Company, the matter was stoutly contested by the Washburn & Moen Company. Defeated in the court of original jurisdiction, it appealed to the court of last resort in Illinois, and, defeated there, it had no recourse but to submit.

As to the other licensees who made similar claims, it would be the height of folly to litigate with them, for it had no warrant for assuming that a different result would be reached in a different forum, and in the meantime the entire license system would go to pieces.

Besides, the Thorn Wire Hedge Company concurred in the view that the course of wisdom was to compromise these claims, and it has received and enjoyed all the benefits resulting from that course.

Among the burdens incident to that course was the refunding certain royalties. Why should not the Thorn Wire Hedge Company share in these burdens?

In its letter of October 2d, 1884, that company based its refusal to refund upon the ground that there was no provi-

sion in its contracts requiring it to refund moneys that had once been paid (191). Reliance was undoubtedly had upon the ninth provision of the contract of 1876. This was to the effect that, if the title to the letters patent should fail, payments of royalties should cease, but that no royalties already paid should be reclaimed (6). This, manifestly, has no relation to the question under discussion. The loss resulting from the Haish settlement falling upon both the parties hereto, the fact that the contracts with the licensees were in such form that only the Washburn & Moen Manufacturing Company was liable to a suit by them, does not make the loss exclusively its own. The money was collected by the Washburn & Moen Manufacturing Company, on the joint account of itself and the Thorn Wire Hedge Company. It was required to pay it back, and it is plainly entitled to contribution. Lindley on Partnership, 2d Ed. 520, 782.

Nor can it be said that the payments to the Thorn Wire Hedge Company were voluntary. The Washburn & Moen Manufacturing Company proposed, in the several cases involved, to withhold current royalties until this matter was adjusted. The Thorn Wire Hedge Company objected to this course, and insisted upon the letter of its contract of June 12th, 1883, to the effect that payment of royalty should be made "without any delay or rebate on account of any claim or demand, or question of claim or demand, of said party of the second part, or said I. L. Ellwood & Co., against said party of the first part, and independently of any and all questions of dispute or otherwise which may arise between said party of the first part and the said party of the second part, or said I. L. Ellwood & Co., or any or either of them."

In a letter written on the 15th day of October, 1884, the Thorn Wire Hedge Company insisted strenuously upon this provision of the contract, and that all matters of dispute or claim of the Washburn & Moen Manufacturing Company

should be left to be settled independently and upon their own merits (192). Thereupon, as royalties were collected, the share of the Thorn Wire Hedge Company was promptly forwarded to it. There was, therefore, never any acquiescence in the claim of the Thorn Wire Hedge Company that it was entitled to hold these moneys.

The opinion of the Supreme Court of Illinois, on the first appeal, in the Chicago Galvanized Wire Fence Company's case, was filed January 23d, 1884. The case being remanded to the court below, questions arose as to the nature of the decree to be entered under the decision of the Supreme Court, and before these were disposed of, on September 15th, 1884, the Washburn & Moen Company brought forward its claim for re-imbursement, and asked that it be permitted to withhold current royalties until its demand was satisfied. This very fair and just request was denied. The Thorn Wire Hedge Company was thus advised in due season of the claim of the Washburn & Moen Company, and it cannot be said that the latter company has lost any rights by laches or by acquiescence in the views of the defendant.

The proposition that the money should not be refunded by the Thorn Wire Hedge Company, because it had been distributed as dividends among its stockholders, requires only the suggestion that a similar answer might be made to its demands upon the Washburn & Moen Company, or to any other claim made against any other corporation. It should never have received this money, and, having received it, should make prompt restitution.

F. W. LEHMANN,
C. G. WASHBURN,
Attorneys for Appellant.

Office Supreme Court, U. S.
FILED.
APR 11 1895
JAMES H. McKENNEY,
CLERK

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1894.

THE THORN WIRE HEDGE COMPANY,
Appellant,
vs.
THE WASHBURN & MOEN MANUFACTURING COMPANY,
Appellee.
No. 322.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

STATEMENT, BRIEF AND ARGUMENT FOR APPELLEE.

F. W. LEHMANN,
C. G. WASHBURN,
Attorneys for Appellee.

A. R. FLEMING & CO., PRINTERS, 522 N. Third Street, ST. LOUIS, MO.

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1894.

THE THORN WIRE HEDGE COMPANY, *Appellant*,
vs.
THE WASHBURN & MOEN MANUFACTURING COMPANY, *Appellee*. } No. 322.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

STATEMENT, BRIEF AND ARGUMENT FOR APPELLEE.

STATEMENT.

The bill in this case was filed by the Thorn Wire Hedge Company, to secure an accounting of and to recover judgment for moneys claimed to be due it from the Washburn & Moen Manufacturing Company, under a contract for the sale of certain patents on barbed wire.

A brief review of the circumstances under which the parties entered into the contract, and of the progress and

development of the industry to which it had relation, will help to an understanding of the case.

The Washburn & Moen Manufacturing Company became interested in barbed wire during the fall of 1875. It was not then the thing of general use it has since become. Only a few persons, and these in a very small way, were engaged in its manufacture. Like every new thing, it had to make its way against strong prejudice. The method of manufacture was by rude hand machines, whose product was, at the same time, crude and expensive. The officers of the Washburn & Moen Manufacturing Company were persuaded, however, that it might be brought into general favor as a fencing material and be made the staple of a large and profitable industry, if it could be produced in better form and at less expense. This condition was met by Mr. H. W. Putnam's invention of an automatic machine for barbing wire.

The company then determined to enter extensively into the business, and at once bought Mr. Putnam's patents, agreeing to pay for them in royalty on barbed wire thereafter made under them, reserving the right, however, within a certain time, to commute the royalty by paying a sum which, added to previous payments, would amount to one hundred and fifty thousand dollars.

The company next bought the interest of J. F. Glidden in certain patents owned by him and I. L. Ellwood. The principal patents involved in this purchase were the Hunt, Smith and Glidden patents on barbed wire, and the Glidden and Vaughn machine patent. An arrangement was also made with Ellwood, by virtue of which he became interested with the company in the manufacture of barbed wire, and in all the patents relating thereto. For the Glidden interest the company paid sixty thousand dollars in cash, and agreed to pay a royalty of one-fourth of a cent per pound on all wire made by it or by its license under the patents during their term.

The company next purchased the Kennedy patent on barbed wire and the Kennedy interest in the Hunt patent, agreeing to pay therefor the sum of one hundred thousand dollars in royalty.

At this time the complainant, the Thorn Wire Hedge Company, was the owner of the Kelly patents on barbed wire and also of some patents for machinery for making such wire, but the Kelly patents alone, and indeed only one of these, proved to be of any importance.

The Kelly patents were purchased by Aaron K. Stiles, J. W. Calkins and W. T. Calkins, in 1873, for less than three thousand dollars. In the early part of 1876 they formed the Thorn Wire Hedge Company, taking to themselves most of the stock and transferring their patents as consideration therefor. They and members of their families owned all the stock during the period when the matters of complaint herein arose (130).* Aaron K. Stiles and John W. Calkins, the principal witnesses for complainant, were, from the organization of the company until January, 1884, respectively president and secretary of the company. They were, too, the owners of a majority of its stock (90), and to them was assigned the conduct of its affairs. From January, 1884, until long after this suit was brought, Mr. Calkins was the president.

The Thorn Wire Hedge people learned of the interest the Washburn & Moen Company were taking in barbed wire matters, and saw that their interest was to unite with that company. This will appear from the following resolution of their directors, passed on May 11th, 1876.

Resolved, that whereas there are large interests to this company involved in pending negotiations between what are called the Hunt and Glidden interests in barbed fences and certain eastern parties, that it is the will of this board that the president be requested to call a special meeting of the board of stockholders of the Thorn Wire Hedge Company, to be convened on Saturday, May 13th, at 11 A. M. (168).

*The numerals refer to the pages of the printed transcript of record.

At the meeting of the stockholders thus called, the directors were authorized to make such arrangements "as to "them shall seem for the best interests of this company in "regard to the disposal of the patents of this company, "more especially re-issue patents numbers 6,902, 7,035 and "7,036, known as the Kelly patents, with full power to sell "or dispose of the same, or to give license thereunder, *or "to join with other patents in combination*, upon such terms "as to them shall seem best" (169).

The outcome was a contract between the parties hereto made on July 3d, 1876, by which the patents were transferred to the Washburn & Moen Manufacturing Company, in consideration of the grant to the Thorn Wire Hedge Company of a free and unlimited license thereunder to make the Kelly wire and the payment of royalty on all barbed wire which the Washburn & Moen Manufacturing Company should make or authorize to be made under the patents, the royalty to continue during the term of the patents, and to be payable in the manner and upon the conditions to be considered hereafter (2).

The Thorn Wire Hedge Company refused to sell the patents for a fixed sum, preferring to "*join in combination*" with the Washburn & Moen Manufacturing Company, and trust to the future of the business for its reward (81).

While the contract with the Thorn Wire Hedge Company was not in terms dependent upon any other contract made by the Washburn & Moen Manufacturing Company, yet that such contracts existed and that the Washburn & Moen Company was bound to the payment of royalties for other patents was well known (91, 435).

It was to the manifest interest of all owning leading patents that they should be brought under one control and management. Interests which, when isolated, were in conflict and hurtful to each other, when consolidated became helpful. It is admitted that prior to July 3d, 1876, the Kelly patents had been simply a source of expense to the

Thorn Wire Hedge Company. Nobody had acknowledged their validity or taken license under them. From the moment of the transfer to the Washburn & Moen Manufacturing Company they became a source of profit and yielded large revenues during their entire term (90, 91).

The first in order of the several patents thus acquired by the Washburn & Moen Company was the Hunt patent, reissue No. 6,976, which, as re-issued, covered broadly barbed wire in all its forms. Afterward the scope of this patent was considerably narrowed by judicial decision, but the parties hereto were alike interested to sustain it in its broadest scope. The Kelly patents were re-issued patents, and their owners were not disposed to call in question the validity of re-issues. From the standpoint of all parties here concerned the Hunt patent stood at the head of the art and controlled it. The best use of all other patents, therefore, was in combination with this. The Hunt device, however, was a crude one, being, in effect, spur wheels strung loosely upon the wire, and barbed wire in this form was not likely to, and never did, come into general use.

The next in date of invention was the Smith patent, re-issue No. 7,136. This covered the feature of fixing a barb, consisting of a hub with four projecting points upon the wire to prevent lateral movement, by making bends or kinks in the wire. This made not a very good and yet a practicable form of fence, and did not infringe any patent save the Hunt.

The next is the Kelly, re-issue No. 6,902. This was for a fence wire with a series of thorns rigidly fixed thereto, and also for the combination of two wires twisted together and a series of thorns strung upon one of the wires and held in position by them.

This was the valuable patent among those transferred by the Thorn Wire Hedge Company. The Mitchell machine patents drop out of sight at the very beginning, because adapted only to make the Kelly wire, and only the Thorn

Wire Hedge Company made that style of wire. The other Kelly patents were re-issues No. 7,035 and 7,036. The first of these was for a thorny fence wire, consisting of a flat wire and barbs inserted and held in holes in the wire. The objections to this structure are manifest, and require no mention, for it never came into use. No. 7,036 was for thorns or barbs made from wire, and provided with cut beveled points at each end, and also for barbs pointed at each end and having a depression about midway their length. This patent was held invalid for want of novelty the first time it was presented for adjudication, which was in the court from which this appeal is taken, in December, 1880.

The next is the Glidden, re-issue 6,913, which was for the combination with a fence wire of a barb formed of a short piece of wire secured in place upon the fence wire by coiling between its ends.

The other Glidden patent, being No. 157,124, we will consider hereafter.

Barbed wire as generally adopted in use was of the Glidden type. That is, it employed a wire barb in some form, instead of a sheet metal barb, and the barb was attached by coiling around the fence wire in some manner, and not as in case of all the precedent forms, by threading it upon the wire through a hole punched in the barb, as beads are placed on a string.

The Putnam machines were automatic devices for making barbed wire of the Glidden type, and of course they effected a great saving over the old method of barbing by hand tools.

Thus the Kelly patents were brought into harmonious relation with the earlier patents for improvements in form, and with the machine patents for improved processes of manufacture. Barbed wire in 1876 sold for sixteen cents per pound, and while even at this rate it was somewhat cheaper fencing for the prairies, where wood and stone were scant, than any other material that could be employed,

still the high price and the very natural prejudice at first existing against its use prevented its speedy or general adoption. It is estimated that in 1876 about one thousand tons were made and sold, while in 1880 the output had reached fifty thousand tons. It is true that improvements in the form of barbed wire and in the mode of its manufacture were not the only factors that tended to cheapen and popularize it. Use dispelled the prejudice against it. Reduction in the rate of royalty and in the cost of plain wire helped to cheapen it, but none the less did improvements in the form of the barb and the application of automatic machinery to the production of barbed wire contribute to that end.

Six different persons and companies were now directly interested as receivers of royalty in these various patents, viz: Kennedy, Putnam, Glidden, the Thorn Wire Hedge Company, I. L. Ellwood and the Washburn & Moen Manufacturing Company. The interests of Kennedy and Putnam were limited by fixed sums. The interests of the other parties continued during the terms of their respective patents. Of these, Glidden alone was interested exclusively as a receiver of royalty. The others, *i. e.*, Ellwood, the Thorn Wire Hedge Company and the Washburn & Moen Company engaged extensively and without limit, except the demands of the market, in the manufacture and sale of barbed wire. Their interests were thus, from the beginning of their relations with each other, identical, and so they continued to be throughout.

The validity of the several patents mentioned was not at first admitted by other manufacturers of barbed wire. Litigation ensued. This was vigorously prosecuted and as vigorously contested. The validity of the patents was assailed on every imaginable ground, and especially upon the ground of prior use, instances of which were alleged to exist in various parts of the country. Mr. Stiles was employed to assist in this litigation at a salary of five thou-

sand dollars per year. His employment continued until December 4th, 1878, at which time suits then pending were compromised and licenses granted to H. B. Scutt and to the Ohio Barb Fence Company.

This litigation had cost the Washburn & Moen Manufacturing Company the sum of $60,000.00 and during the *interim* it had paid $132,000 in the way of royalty on its manufacture of wire, of which the Thorn Wire Hedge Company received $59,000; Kennedy, 40,000; J. F. Glidden, $23,000, and H. W. Putnam, $10,000.

As by consent of all parties concerned back damages were released to Mr. Scutt and the Ohio Company when settlements were made with them, it results that during all this period the patents were a source of nothing but expense to the Washburn & Moen Manufacturing Company and a source of profit only to their former owners, and of chief profit to the Thorn Wire Hedge Company. While this condition of things lasted, it goes without saying that the Thorn Wire Hedge Company had no serious complaints to make of the Washburn & Moen Manufacturing Company.

The rate of royalty paid to the Thorn Wire Hedge Company during this interval was three-eights of a cent per pound, and the aggregate rate paid to all the former owners was one and one-eighth cents per pound. The Washburn & Moen Manufacturing Company could not grant licenses, except at a rate sufficiently above the royalties it had to pay to compensate it for the capital it had invested, the expense of litigation and the great risks incident to the enterprise it had undertaken. To enable it to place the royalty to Mr. Scutt and the Ohio Company at a rate they would accept, a reduction by the Thorn Wire Hedge Company and other under-payees of royalty was necessary and was granted, the Thorn Wire Hedge Company reducing to twenty-five cents per hundred pounds. At the same time concessions were made to the Thorn Wire Hedge Company of rights under

patents owned by the Washburn & Moen Manufacturing Company, to be used by it in connection with its manufacture of the Kelly wire (7).

The compromise of the first batch of suits did not, however, terminate litigation. As barbed wire came into more general use, infringements became more numerous and more persistent, and new suits were instituted. Mr. Stiles continued his assistance, but after December 4th, 1878, he was no longer in the pay of the Washburn & Moen Company. He rendered such services as he could, being prompted thereto solely by his large interests in the Thorn Wire Hedge Company. The royalties received by this company and the profits of its manufacturing business yielded enormous dividends upon its stock, and of this stock Mr. Stiles and members of his family held large blocks.

This litigation, like the first, was stubborn, protracted and expensive. When it terminated in December, 1880, it had cost $86,000, making a total of $146,000 expended on this account up to that time. From December, 1878, to January, 1881, the company paid as royalty $190,000, of which the Thorn Wire Hedge Company received $63,000. The Washburn & Moen Manufacturing Company had in the meantime received $36,000 from its licensees. Its expenditures, aside from its original investments, had exceeded its receipts by $432,000.

By the terms of its contract with the Thorn Wire Hedge Company, the Washburn & Moen Company had the right to terminate it upon surrender of the patents, and in view of this fact, and the great outlay thus far entailed, and the small income received, it is not surprising that the Thorn Wire Hedge Company said nothing and did nothing during this period to provoke controversy with the Washburn & Moen Company.

The litigation pending prior to 1881 was of the greatest interest to all parties, and was watched by them with cor-

responding keenness and anxiety. All of the patents were involved. If one went down, all went. Then, too, the failure of any one of them impaired the Washburn & Moen Company's control over the business, and thus affected the practical value of the others. The interest of the Thorn Wire Hedge Company in the suits was as broad as that of the Washburn & Moen Company, and naturally impelled its officers to a close observation of the progress of events.

Their opportunities for information were abundant. Until December, 1878, Mr. Stiles was employed to take an active part in the litigation and in every possible phase of it. He co-operated with the attorneys for the Washburn & Moen Company in everything that was done. After that date he was no longer in the pay of the defendant, but it is conceded that he was nevertheless faithful and zealous in behalf of the patents, and did all he could to uphold them and the interests dependent on them. A glance at his correspondence during the years 1879 and 1880 will leave no doubt of this.

Nor was Mr. Calkins indifferent to the course of events. While he suggests that he knew but little of what was going on, we have shown by the testimony of Mr. Millington, who from 1877 to 1880 was in the employ of the Thorn Wire Hedge Company as a salesman, and whose statements at every point are fortified by letters and circulars of the company, that the progress of affairs was watched with the greatest interest. There was sharp competition by the infringing manufacturers. These were obliged to sell at lower rates to get a market for their wares, and this cut in prices was met in turn by representations to the trade of the danger of dealing in unlicensed wire. Thus the litigation over the patents became a matter of immediate business concern. Alleged instances of prior use were published on the one side, to be met with counter-proofs upon the other. Affidavits of witnesses, opinions of counsel, etc., were spread broadcast by the various manufacturers

through newspapers and circulars, and none was more active in this work than the complaintant. The various exhibits to the testimony of J. W. Millington, complainant's agent during the period in question, prove this beyond controversy. (673 *et seq.*) The traveling salesmen were also instructed to keep the trade informed of the progress of events, to report infringements, alleged instances of prior use, and wherever possible to find rebutting testimony. (675 *et seq.*) It was to be expected that complainant should keep itself well informed, and it could not help doing so without studied indifference to its own interests.

August 7th, 1879, the contract was again modified. For the double purpose of increasing the manufacture and sale of barbed wire, and of inducing others to pay royalty thereon, the complainant reduced its royalty to fifteen cents, and in turn the defendant agreed to reduce royalties to a licensees to seventy-five cents per hundred pounds. It was expected that infringing manufacturers would at this time take license, but they did not. Subsequently it was attempted to charge Mr. Washburn with responsibility for the failure, and that charge is repeated in this proceeding. We have at this time to say only that the contemporaneous testimony of Mr. Calkins does not bear this out. In a letter to Mr. Millington, August 27th, 1879, he says: "Matters and things generally look pretty blue. Washburn failed to make any arrangement with the Union, as they offer only *one-half cent* for a license, and I am of opinion that it will result in no one making any more money on wire before it is settled" (684).

This letter shows, too, the desire of the Thorn Wire Hedge Company to compromise litigation. Inasmuch as their patent was short-lived, they must make it profitable at once, or not at all.

The first matter of controversy between the parties, having reference to the date of its origin, grew out of this contract of August 7th, 1879. The Ohio Steel Barb Fence

Company was no longer operating under its license. This left as the sole remaining licensee H. B. Scutt, of Joliet, Ill. The defendant did not at once reduce his royalty to seventy-five cents, but instead reduced it to eighty-one and one-fourth cents on general sales, and to fifty cents on sales in Texas. On August 1st, 1880, Scutt's royalty was reduced to fifty cents on all sales. Of this course of conduct no complaint was made at the time by anybody, and when later, in 1881, the complainant did object, the matter with others that had arisen in the meantime was amicably adjusted, and no more was again heard of it until in the course of taking testimony in this case.

In December, 1880, the Federal Court at Chicago divided the cases pending there against Haish and other defendants. By this decision the Hunt, the Smith, the first Kelly and the re-issued Glidden patents were sustained. (4 Fed. Rep. 900.) Not only the defendants in those cases, but many other manufacturers then made applications for licenses.

These applications were acted on during the months of January and February, 1881, and about forty licenses were granted. Settlements for back damages were made at the same time. Royalty under the licenses was fixed at seventy-five cents. Some of the parties licensed paid a bonus on the tonnage granted them at the rate of ten dollars per ton.

The complainant claimed a share of these back damages and bonuses, but its right thereto was denied by the defendant. The complainant persisted in its claim, and also brought forward, for the first time, the claim before referred to respecting the agreement of August 7th, 1879.

A general settlement of all matters in controversy between the parties was made on July 27th, 1881, and was acquiesced in by both of them until after this suit was brought, when, by an amendment to the bill, the complainant sought to have it set aside.

In making settlements with the licensees in the early part of 1881, the Washburn & Moen Company acquired what patents they could, and this without burden or expense to the Thorn Wire Hedge Company. This was done in the interest of all the patentees and licensees, and was in accordance with the policy which it was understood the Washburn & Moen Company should pursue.

The licenses granted were uniform as to all conditions save style of wire, place of manufacture, name of licensee and tonnage, and it was stipulated in each of them that if more favorable terms as to royalty were granted to any person thereafter, that like terms should be granted to the licensee named.

The form of license as first drafted and as adopted, with exception of some immaterial changes, was submitted to Mr. Stiles and approved by him (522).

The situation now had materially changed. Most of the manufacturers of barbed wire throughout the country were paying royalty. The total tonnage granted under these licenses exceeded fifty thousand tons annually. The total royalty to be paid on this amount, if made, was $750,000, to be distributed among the Washburn & Moen Manufacturing Company, I. L. Ellwood and the several under-payees of royalty. The share of the Thorn Wire Hedge Company would be one-fifth, or $150,000. This was exclusive of the manufacture of Ellwood and the Washburn & Moen Company.

The important thing now was to preserve the existing status. In this the complainant and the defendant, Ellwood and Glidden, were alike interested. The daily portion of the complainant of royalties paid by the licensees alone, was about five hundred dollars. To this must be added what it received from the defendant and Ellwood. Last, but not least, was its free license, which gave it an advantage of fifteen dollars per ton over its forty licensed competitors, and its unlimited tonnage at a time when ten

dollars per ton was being paid for tonnage under license. The interest and concern of the complainant to avoid everything of a disturbing character and to keep the licensees in accord with each other and contented with their situation, are self-evident.

An association was at once formed by the licensees for the protection and promotion of their common interests, and while neither the Washburn & Moen Manufacturing Company, I. L. Ellwood & Co., nor the Thorn Wire Hedge Company were, in strict sense, members of the association, they all contributed to its support, and Mr. Stiles was chosen as its president. This gave him the best facilities for learning the temper of the licensees and noting their doings.

Among the defendants, in the cases decided in December, was Jacob Haish. He refused to take license, but stood out, and threatened to continue the litigation to the bitter end. The court would not enjoin him from manufacturing, nor would it limit his output. It would do no more than hold him to pay royalty into court pending an appeal. The pendency of an appeal would in itself impair the stability of the license system. And this was not all. Haish had patents both on barbed wire and on barbed wire machinery, which, if valid, were infringed by nearly all the licensees. This was especially true of his S barb patent, which covered the feature of a barb passing between two strands of a fence wire and around them both. The licensees were, all of them, restricted to particular forms of barbed wire, and most of the forms licensed contained the Haish feature. It is true that the Haish patent was subordinate to the Glidden and the Kelly, but no one was licensed to make the precise Glidden structure or the precise Kelly. Not licensing the precise Kelly form was to the interest of the Thorn Wire Hedge Company, as it preserved its product from the competition of a similar article. But it is now said that the failure or refusal to license the

precise Glidden structure was in the exculsive interest of Ellwood and the Washburn & Moen Manufacturing Company. But never before was this complaint made, and the fact is otherwise. The Glidden form undoubtedly became in time the most popular, and for that very reason the Thorn Wire Hedge Company, as a manufacturing concern, was interested to have its production limited as much as possible. It did not want any competition between the Kelly and Glidden wires that could be avoided.

Writing to Mr. Ellwood, February 8th, 1883, with reference to the disposition of the license of E. A. Beers & Co., which another licensee was proposing to buy, Mr. Calkins urged Mr. Ellwood to buy it, saying, among other things: "In fact it is too near the Glidden to suit us. * * * In "placing our prices on Kelly wire, and in our sales, we ad- "mit a standard wire only as equal to the Kelly wire, viz.: "the Glidden, and when a wire comes so near as the Beers, "it unsettles us a little" (235).

The licensees had nearly all been in cordial union with Mr. Haish before this time and knew his temper, and they knew he would do what he could to stimulate public disregard for the patents whose protection they had bought. As a burnt child dreads the fire, they were afraid of his patents. For years they had scouted and ridiculed the patents of Washburn & Moen, yet these same patents had been sustained. Haish's claim could not be preached down. As he stood he was a constant menace to the very profitable license system that had just been built up at such great cost of time, and money and labor. Licensees could not pay additional royalty, and, if they were to be exposed to the expenses and hazards of litigation in any event, if by paying the royalty they were then paying they could not secure protection, it was quite as well to risk all, and, if successful, win all.

It was thought best to settle with him, and this was done July 26th, 1881. Every argument *pro* and *con* such a course

was well understood by the Thorn Wire Hedge Co. They knew the situation, none could know it better; they knew the temper and wishes of the licensees, they knew the relations and obligations existing between Washburn & Moen and the licensees. They were informed of the plan of settlement. They were furnished copies of the papers. They deliberated upon it maturely and then gave formal assent.

All who were interested were consulted, and assented. The Thorn Wire Hedge Company, Glidden, Ellwood and the Washburn & Moen Company were agreed upon the necessity of that settlement, and without such agreement the settlement never would have been made.

The objections afterward made to this settlement by some of the licensees were anticipated at the time by the parties and their counsel, and it was agreed by them all that they were not tenable.

Yet that settlement is at the bottom of the principal claim now made by the Thorn Wire Hedge Company. That company seeks, after having had every benefit of the settlement, to evade the burdens that belong to it.

For more than a year thereafter the license system was maintained substantially without a break. The royalty stipulated for in the licenses was paid, and the Thorn Wire Hedge Company received its share. The settlement with Haish seemed to be worth its cost, and everybody was content.

The Chicago Galvanized Wire Fence Company and the Crandall Manufacturing Company, however, complained of the Haish settlement as in effect the grant of a free license, and brought suit to recover royalties paid by them after its date, and also to be relieved from paying royalties in the future. The case of the first named company was brought to trial in the summer of 1882 and decided in October, 1882, in favor of the complainant, the decision being in effect that the settlement with Haish was tantamount to granting him a free license of 4,000 tons per annum.

Other licensees made similar claims and refused to pay any more royalty. Suits were brought by some of these, and the defendant enjoined from making any attempts at collection.

While matters were in this shape, that is in June, 1883, the Kelly patent and the Glidden re-issue were declared to be invalid by the courts of the Eighth Circuit. (16 Fed. Rep. 661.) This Circuit was the principal market for barbed wire. It comprised the great and growing prairie States of Missouri, Iowa, Minnesota, the Dakotas, Nebraska and Kansas. There were many and large factories in these States. Infringements were sure to become numerous. Licensees would not pay royalty on patents that gave no protection. True, that in the Seventh Circuit the patents had been sustained, but how could manufacturers there pay fifteen dollars per ton royalty and sustain themselves against western rivals who were free from that burden?

Something must be done to prevent the entire destruction of the licensee system. New arrangements must be made all around.

Other patents were now brought forward against infringers, the Glidden patent, No. 157,124, and the Putnam machine patents being the principal ones.

Compromises were entered upon with the licensees, and their claims, on account of the Haish agreement, were settled.

As part of the general readjustment, a new contract was made on June 13th, 1883, between the complainant and defendant, by which the defendant agreed to pay for the term of the Kelly patent a royalty of five cents on all wire made by itself and by Ellwood, and the same royalty on wire made by licensees, but this was not to be paid until it had been collected from the licensees.

The defendant so ordered matters with its licensees that many of them made no claims on account of the Haish set-

tlement, and with most of those who did, it compromised on favorable terms. Of this course the complainant received the full benefit. As licensees were induced to resume friendly relations to the patentees, the royalty revenues were increased. To the end of the term of the Kelly patent, the complainant got its share of these revenues, and it never made claim to anything more. Monthly, as accounts were sent in and payments made accordingly, it executed receipts acknowledging "settlement of royalty due as per statement rendered" (485).

All this time it had full knowledge of what was being done, and confessedly it made no objection (140), and, as we shall show hereafter, it assented to what was done.

It was contented so long, as royalties came in regularly every month, and not until these ceased with the term of the patent was there one word of complaint.

The first evidence of discontent is found in the minutes of the directors' meetings. In January, 1886, nearly a year after the Kelly patent had expired, it was formally resolved that the Washburn & Moen Company had not performed its contract in all respects, and Messrs. Stiles and Calkins were appointed a committee to consult counsel about the matter (233). Some royalties that had not been paid as they became due were, from time to time, being remitted by Washburn & Moen, and for the first time, and from this time henceforth, the Thorn Wire Hedge Company appended to their receipts an objection, which was in this form: "Said statement not being accepted by us as being the "correct amount due" (485). Then followed this suit.

The president and secretary made annual reports to the company, but they never reported the Washburn & Moen Company as delinquent in any of its obligations (136). Mr. Calkins himself says that these claims were "held in "abeyance, and no positive action was had or taken by the "Thorn Wire Hedge Company prior to the expiration of "our patent" (107). Comment upon such a course of conduct under the circumstances is unnecessary.

Other causes of complaint now made are, that defendant extended credit to licensees and took their notes for royalty. To this complainant assented at the time. Some royalties were lost through insolvency of licensees, but it will appear that the defendant omitted no reasonable effort to collect them.

After the settlement made in July, 1881, the defendant received some bonuses from licensees, and collected back damages from infringers, and complainant seeks to share in these.

The claim for a share of the bonus money was expressly yielded as to the future by the settlement referred to, and the back damages in question were not on account of infringements of the Kelly patent.

It is not claimed that the Washburn & Moen Company has not faithfully accounted for all royalties collected. This suit is, except as to the back damage claim and as to the claim for royalty on what is known as the Brinkerhoff strip, an effort to get from the defendant moneys which it never received. As to the Brinkerhoff strip, the defendant from the beginning insisted that it was not bound to account for that.

The complainant has received the benefits resulting from acquiescence in the defendant's conduct of this important and difficult business. When there was nothing more to gain by this course, and not until then, it began to complain and criticise. Now, when it is too late to make changes, every exercise of discretion by the defendant is objected to. It was a precarious piece of property that the complainant sold to defendant. It was bought originally for a song, less than three thousand dollars, and, so long as it was held by complainant, it seemed to be worth even less than it cost. Nobody recognized it as valid. Nobody paid tribute to it to the extent of a single penny. And complainant seemed to have little faith in it, for during the three years of its ownership it did not so much as bring a suit upon it.

When the patent was transferred to the defendant there was a great and an instant change. What value there was in the particular structure covered by the patent the complainant kept to itself, and it was protected in this by suits which the defendant instituted and prosecuted at great cost.

Besides, upon other and improved forms of barbed wire, the complainant began to receive royalty. The defendant held this patent for eight years and seven months. For two years and a half of that time nobody, aside from interested parties, recognized its validity. For two years more only one outside concern, the H. B. Scutt Company, recognized it as valid. For two years and a half it had judicial sanction, and then it was judicially condemned as worthless. Still the complainant received as royalties the sum of seven hundred and nineteen thousand dollars. This by far exceeded its most sanguine expectations. So late as October, 1880, when barbed wire had come into general use, when factories were springing up on every hand, when the cases at Chicago had been submitted and a decision was every day expected, Mr. Stiles wrote that he had informed the infringers, with whom he had talked with a view to compromise, that "we," referring to his company, "would make any arrangement so that we need not be paid over $50,000 per year" (503, 504). At this rate the patent, having four years and a half to run, would yield them $225,000. They received thereafter more than $600,000. Expectation was more than met, but "increase of appetite had grown by what it fed on." Now they want, in addition to what they have received, more than was then the measure of their perfect content.

To get these great returns from these patents was not an easy thing. The proper course to pursue was not always obvious. The Washburn & Moen people did the best they could. Their fidelity was guaranteed by their interest.

It is suggested now by Messrs. Stiles and Calkins, that a disposition was manifested to sacrifice the Kelly patent in favor of those which had a longer term to run. Not one act is pointed out to sustain this imputation, although the witnesses were challenged to make specification (273. The truth is obviously otherwise. The harvest time was necessarily during the term of the bottom patent. When the Kelly patent was declared invalid, royalties dropped, and when it expired they dropped again. The complainant, we repeat, assented to everything done by Washburn & Moen when it was done. Its own books and records do not disclose the suggestion of a claim against the defendant until January, 1886, a year after the expiration of the Kelly patent. Then this suit was brought on the general plan of complaining of everything, with the hope of getting something.

The relation of Mr. Stiles to this case may properly be considered here. His letters, during the period involved, show that he had perfect knowledge of what Washburn & Moen were doing, that he was continually consulted, that he often advised what was done, and always acquiesced in it. So it is sought to divorce him in some way from the complainant.

It is said that until December 4th, 1878, he was in the employ of the defendant, and that, therefore, notice to him during that period was not notice to the complainant. It is conceded, however, that his employment ceased at the date stated, and that every matter of controversy in this case arose subsequently, and grew out of some act or omission afterward occurring. Thereafter he had no interest in the barbed wire business, save as a stockholder and member of the Thorn Wire Hedge Company (261).

He and members of his family owned nearly one-half of its stock, and this stock paid annually more than a hundred per cent. dividend. This company occupied a position of rare advantage. Its right to manufacture was free and un-

limited, which was true of no one else, not even of the Washburn & Moen Manufacturing Company and I. L. Ellwood. It paid no share of the litigation expenses. Its royalties were also at a larger rate than those of any other under-payee, and what was true only in the case of Glidden besides, they continued during the term of its patents. Furthermore, as its patents were among the first to expire, it was interested above all others in the early realization of profits.

In February, 1881, the licensees organized the Manufacturers' Equitable Association. Mr. Stiles was chosen its president, and acted in that capacity to the end. This placed him in intimate relations with every licensee. The licenses were deposited with the secretary, and the licensees made regular reports to the association. In the meetings of the association all grievances were considered, and ways and means of promoting the common welfare discussed. It is said that knowledge acquired by him as president of this association is not to be imputed to the Thorn Wire Hedge Company. It must be borne in mind that the association was merely a committee of the whole of the licensees. It did not make or sell wire, it had no business concerns that were distinctively its own. It was a combination simply of persons who had a common interest to promote. Mr. Ellwood, the Thorn Wire Hedge Company and the Washburn & Moen Company, while not formally members, were in intimate relations with it, and contributed to its support.

Mr. Stiles says: "I was interested in the Manufacturers' "Equitable Association simply because I was interested "in the Thorn Wire Hedge Company. That was the prin- "cipal reason. I considered the Thorn Wire Hedge Com- "pany largely interested in the Manufacturers' Equitable "Association. The Thorn Wire Hedge Company, as a "company, had a contract with the association. It had "contributed to the expenses of the association, and assisted "in shaping its policy, as much as any other of the mem-

"bers. * * * My principal interest there was to rep-
"resent the interest of the Thorn Wire Hedge Company.
"* * * I don't think I would have taken the presidency
"of the association simply as a member, but I was re-
"quested to keep in by both Washburn & Moen and by Mr.
"Ellwood, also by the Thorn Wire Hedge Company"
(263–4).

It is not claimed that at any time he was direlict in his duty or unfaithful to his trust as president of the complainant company (108). His personal interests answer for his diligence and fidelity. The attempt is to make a sort of Pooh Bah of him, to show him as holding various positions, and then to assign his information and his performances to the particular place or function that best suits the exigencies of the complainant's case.

Mr. Washburn testifies that, as is natural enough, he always supposed Mr. Stiles was speaking and acting on behalf of the Thorn Wire Hedge Company, and indeed the critical dissection and distribution of his characters insisted upon now were never suggested before.

The record in this case shows that throughout the period involved Mr. Stiles had large and remunerative interests in the Thorn Wire Hedge Company, that he never had interests inconsistent therewith (242, 243); that he was on confidential terms with his associates, and engaged with them in many and various business schemes (132); that he had daily consultations with them concerning matters of interest to the company (160–1–2); that he concealed nothing from them, and informed them of everything which it concerned them to know (243). He was guiding spirit of the company, especially in all its patent matters. All negotiations were with him and all contracts were executed by him. His relations to the parties never changed. When he sold his stock to Mr. Calkins, he reserved his interest in any claims against the defendant (248). The last act of the company of which we have record is the appointment

of Mr. Stiles and Mr. Calkins as a committee to conduct this suit (233). He is in the case with a pecuniary interest adverse to the defendant. He appears as a witness in the case three times, and each time called by the complainant. He stands now with and for the Thorn Wire Hedge Company, and he always did.

For purposes of convenience in argument, the various claims made by complainant may be thus summarized:

I.—That, notwithstanding the settlement of July 27th, 1881, complainant is entitled to share in the bonuses received and the back damages collected in January and February, 1881.

II.—That, because defendant did not under the agreement of August 7th, 1879, at once reduce royalties to licensees to seventy-five cents per hundred pounds, complainant is entitled to royalty for wire sold during the period involved at the rate of twenty-five cents per hundred pounds.

III.—That complainant is entitled to be paid the royalties which defendant failed to collect, because of the Haish settlement.

IV.—That defendant made settlements for considerations other than money.

V.—That defendant accepted notes of licensees in settlement of royalties, but was bound none the less to account to complainant as if it had received cash.

VI.—That because of the insolvency of licensees, and for other reasons, royalties were lost, which defendant is bound, nevertheless, to pay.

VII.—That since July 27th, 1881, defendant has received bonuses from licensees, and collected damages from infringers, in which complainant is entitled to share.

VIII.—That the Brinkerhoff strip is within the scope of the original agreement between the parties, and defendant should, therefore, pay royalty on account of it.

BRIEF OF POINTS AND AUTHORITIES.

I.

FIRST CLAIM FOR BACK DAMAGES AND BONUS MONEY.

1.—This was settled by agreement of July 27th, 1881.

2.—No attempt was made to set aside this settlement until the amendment to the bill was filed in 1889.

3.—This long delay is not explained or excused in the bill.

Badger vs. Badger, 2 Wall. 87;
Wood vs. Carpenter, 101 U. S. 140;
Richards vs. Mackall, 124 id. 187;
Naddo vs. Barden, 4 U. S. App. 624.

4.—Complainant is barred by its long delay, and the changed circumstances of the parties, from now attacking the settlement.

Grymes vs. Sanders, 93 U. S. 55;
Sullivan vs. Portland, 94 id. 806;
Hayward vs. Bank, 96 id. 611;
Richards vs. Mackall, 124 id. 187;
McLean vs. Clapp, 141 id. 432;
Galliher vs. Cadwell, 145 id. 368.

5.—Complainant made the agreement voluntarily, and will, therefore, be held to it.

Badger vs. Badger, 2 Wall. 87;
Dewolf vs. Hays, 125 U. S. 614.

6.—A settlement will not be set aside simply because the party making it was in need of money or apprehensive of litigation.

Pope vs. Owsley, 27 F. R. 100;
French vs Shoemaker, 14 Wall. 314.

7.—The parties can no longer be placed *in statu quo*, and complainant, having enjoyed the benefits of what it re-

ceived in the compromise, is now seeking to get back what it relinquished.

Henderson vs. Cummings, 44 Ill. 325;
Bassett vs. Brown, 105 Mass. 557.

II.

Claim Under Agreement of August 7th, 1879.

1.—There is no foundation for this claim in the bill.

2.—What is now complained of as a breach of the agreement was assented to by complainant at the time.

3.—Accounts were rendered between the parties from month to month, and settlements made accordingly, with full knowledge of all the facts, and these will not now be opened or set aside.

Bailey vs. Bensley, 87 Ill. 556;
Harley vs. Bank, 76 N. Y. 618;
Manchester Paper Co. vs. Moore, 104 id. 680;
Toland vs. Sprague, 12 Pet. 300;
Hager vs. Thompson, 1 Black. 80;
Wiggins vs. Burkham, 10 Wall. 129;
Oil Co. vs. Van Etten, 107 U. S. 325;
Bank vs. Morgan, 117 id. 96.

4.—This claim was included in the agreement of settlement of July 27th, 1881, and this we may show, if need be, by evidence outside the agreement itself.

Coburn vs. Land Co., 138 U. S. 196.

5.—The settlement between the parties presumptively covered every matter of controversy existing between them at the time, and it is incumbent upon complainant to overcome this presumption.

Normandin vs. Gratton, 12 Oreg. 505;
Bull vs. Harris, 31 Ill. 487;
Straubher vs. Mohler, 80 id. 23;
Freeman vs. Bolzell, 63 Wis. 380.

6.—After the settlement was made on July 27th, 1881, complainant executed notes to defendant as for balance then due, and this is presumptive evidence of full settlement between the parties.

Grimmel vs. Warner, 21 Ia. 12;
Dutcher vs. Porter, 63 Barb. 15;
Stiles vs. Brown, 1 Gill. 350;
Phy vs. Clark, 35 Ill. 377;
O'Conner vs. Hurley, 147 Mass. 149.

III.

1.—The settlement with Haish had the effect to release each of the licensees from the payment of royalty to the extent of 4,000 tons of wire per annum.

W. & M. Mfg. Co. vs. C. G. W. F. Co., 109 Ill. 71.

2.—The consent paper signed by the licensees was inoperative, because signed after the settlement with Haish had been consummated.

Wharton on Contracts, Vol. 2, Sec. 513;
Valentine vs. Foster, 1 Metc. 520;
Hale vs. Rice, 124 Mass. 292;
Stafford vs. Bacon, 1 Hill. 532;
Mills vs. Wyman, 3 Pick. 207;
Chaffee vs. Thomas, 7 Cow. 357;
Comstock vs. Smith, 7 John. 86.

3.—The losses incident to this settlement must be borne by all the parties in interest, for the settlement was made with the knowledge and consent of all concerned.

4.—Where an agent acts with the knowledge and assent of his principal, he is not bound for resulting losses.

Eadie vs. Ashbaugh, 44 Ia. 519;
Cochran vs. Chitwood, 59 Ill. 54;
Law vs. Cross, 1 Black. 533;
Drakely vs. Gregg, 8 Wall. 242;

Bronson's Exrs. vs. Chappell, 12 Wall. 681;
Gaines vs. Miller, 111 U. S. 398.

5.—The principle of the law of partnership, that one partner is not chargeable with losses resulting from his acts, if he acted in good faith, and especially where his acts were approved or ratified by his associates, is applicable to this case.

Blair vs. Johnson, 1 Head. 13;
Gillottson vs. Gillottson, 34 Conn. 335;
Maysen vs. Beazly, 27 Miss. 106;
Lindley on Partnership, Vol. 2, 783, 784, 785;
Bates on Partnership, Vol. 2, Sec. 763;
Craig vs. Ford, 1 T. and C. Chancery Cas., 280;
Morris vs. Allen, 14 N. J. Eq. 44;
Story on Partnership, Sec. 169.

6.—Corporations, like individuals, are bound to good faith and fair dealing, and if they do not intend to be bound by the acts of their agents, they must disavow them promptly.

Hoyt vs. Thompson, 19 N. Y. 207;
Perry vs. Simpson, 37 Conn. 520;
Bradley vs. Ballard, 55 Ill. 413;
Watts' Appeal, 78 Pa. St. 370;
Aurora, etc., Society vs. Paddock, 80 Ill. 263;
Bank vs. Dandridge, 12 Wheat. 64;
Bissell vs. City, 24 How. 300;
Supervisors vs. Schenck, 5 Wall. 782;
Railroad Co. vs. Howard, 7 id. 392.

7.—In May, 1883, the Kelly patent was declared to be invalid by the Federal Courts of the Eighth Circuit.

W. & M. Mfg. Co. vs. Fuchs, 16 F. R. 661.

8.—At this time, and prior thereto, certain of the licensees were, on account of the Haish settlement, withholding payment of royalties, and monthly statements were being ren-

dered, and settlements made between the parties hereto, on the basis of the liability of defendant for royalties received only.

9.—On June 12th, 1883, a new agreement was made between the parties hereto, in which it was agreed, expressly, that as to licensees defendant should not be held to the payment of royalties until they were actually collected.

10.—Agreements were made with licensees compromising their claims under the Haish settlement, and such agreements were made with the knowledge and assent of complaintant.

11.—Until the Kelly patent expired, periodical settlements were made between the parties hereto, in the view that defendant was not responsible for losses resulting from the Haish settlement, and it is now too late for complainant to insist otherwise.

Vogers vs. Pike, 8 C. & F. 652;
Fisher vs. Boody, 1 Curt. 206;
Marsh vs. Whitmore, 21 Wall. 178;
Sullivan vs. Portland, 94 U. S. 806;
Brown vs. County, 95 id. 157;
Hardt vs. Heidweyer, 152 id. 547;
Tash vs. Adams, 10 Cush. 252;
Fuller vs. Melrose, 1 Allen, 166.

IV.

Settlements for Other Consideration for Money.

1.—No settlements of this kind were made which were not within the defendant's authority, and in the benefits of which complainant did not share.

V.

Notes Taken for Royalty.

1.—Complainant assented to this at the time, and accepted its share of the proceeds, with interest, as the notes were paid.

VI.

Losses from Insolvency of Licensees.

1.—Defendant was not a guarantor of payment by licensees.

2.—It was not bound to sue licensees who were hopelessly insolvent, and from whom nothing could be collected.

Sanford vs. Allen, 1 Cush. 473;
Marsh vs. Dey, 18 Pick. 321;
McDoal vs. Yeoman, 8 Watts, 361.

3.—Defendant used every reasonable means to collect royalties, and complainant was at the time content with its course.

VII.

Bonus Money Received and Back Damages Collected After July, 1881.

1.—The claim to the bonus money was released by the agreement of July 27th, 1881.

2.—The back damages were not collected on account of infringements of the Kelly patent.

VIII.

Brinkerhoff Strip.

1.—This was not within the scope of the Kelly patent, and, therefore, not within the contract of the parties.

Back Damage and Bonus Claim.

We begin with the controversy that was the first to arise between the parties.

In January and February, 1881, as we have stated, licenses were granted to about forty parties. Most of these had previously made and sold wire, and for this they settled and agreed to pay damages. Some of the parties also agreed to pay a bonus. The sum of money thus agreed to be paid by way of back damages was $261,598.25,

and by way of bonus $59,908.38 (411). We are now considering what was paid in January and February, 1881, and from the table set out on page 411 must be deducted the payments made after July 27th, 1881. This we have done. Damages were settled at the rate of sixty cents per one hundred pounds. Of this the Thorn Wire Hedge Company had knowledge at the time, and made no objection. Mr. Calkins testifies: "Mr. Washburn stated that he was "settling on the basis of from fifty to sixty cents per hun- "dred pounds. He stated that that would cover the amount "at least of the royalties he had to pay, estimating the "Kelly at fifteen and the Glidden at ten, and the Putnam "patent and the Kennedy patent did not make very much "difference, as that paid itself out when $100,000 was "paid" (84).

The real basis of settlement, as is not disputed, was sixty cents per one hundred pounds. Some of the parties, however, had patents which the Washburn & Moen Company desired to acquire, and they were at liberty to settle either by paying sixty cents, or by assigning their patents, and receiving in consideration an abatement of from five to ten cents, according to the value of the patents, from the back damages.

The Thorn Wire Hedge Company now claims a share of this bonus and back damage money, and also makes a further claim on account of the patents so received by Washburn & Moen.

As to the patents, we need but say that they were bought and paid for by Washburn & Moen. The Thorn Wire Hedge Company has no possible ground of complaint, so far as they are concerned. If the Thorn Wire Hedge Company was interested in the back damages, its interest was limited to a certain rate per one hundred pounds. The remainder was due to the Washburn & Moen Company, and the fact that in part payment of the share undoubtedly due to itself the Washburn & Moen Company received patents

instead of money, can make no difference. Mr. Calkins understood this at the time. He says Mr. Washburn told him that "the back damages, on account of the Thorn Wire "Hedge Company, was included in the difference over and "above the allowance for the patents thus acquired" (158).

Mr. Stiles also knew it, and he says it was in accordance with the understanding existing between the parties (277). Moreover, it is to be remembered that the patents so acquired were acquired in the proportion of its interest for the equal benefit of the Thorn Wire Hedge Company. No licenses were specially issued under any of these patents. No royalty was exacted or paid on account of any of them. They were simply removed as possible disturbing factors, in affording an opportunity for the springing up of infringers, whose competition would lead to a reduction in prices, and hence impair the ability of licensees to pay royalty. Their possession by Washburn & Moen gave additional protection to every licensed manufacturer, and additional stability to the license system, in maintaining which the Thorne Wire Hedge Company had so large a pecuniary interest.

The Thorn Wire Hedge Company also claims now that it is entitled to share in these damages, not on the basis of fifteen cents per one hundred pounds, but at the rate current when the wire settled for was sold. This would be thirty-seven and one-half cents on that sold prior to December, 1878, twenty-five cents on that sold from December, 1878, until August, 1879, and fifteen cents on that sold after August, 1879. Undoubtedly nearly all the wire in question was sold during the latter period. But assuming that a considerable portion was sold before, and the answer is that the Thorn Wire Hedge Company knew the basis of settlement, and made no objection. If the Washburn & Moen Company was bound to collect back damages at the rate now urged by complainant in its behalf, the same argument would hold good with respect to the other receivers

of royalty. Until December, 1878, the Washburn & Moen Company had to pay out $1.17½ per one hundred pounds on wire made and sold by it or by its authority. From December, 1878, until August, 1879, it had to pay eighty-seven and one-half cents, and from August, 1879, to January, 1881, it was required to pay sixty-eight and three-fourth cents. It had rights as well as its licensees, and, therefore, could justly add something on its own account to cover its large expenditures and risks. Had it in these settlements proceeded in the spirit now manifested by the Thorn Wire Hedge Company, a very different result might have ensued. If much wire was involved in these higher rates, who can say that the thirty or more persons not immediately affected and bound by the Chicago decisions would have settled at all? Instead of the harsh method now urged, a liberal policy was pursued, with the knowledge of, and without objection from, the complainant. Nor can it be said that the liberal policy of the Washburn & Moen Company was solely at the expense of others. If the back damages belonged exclusively to the Washburn & Moen Company, of course the entire concession was at its expense. If the under-payees of royalty were entitled to share in them, the chief concession was by the Washburn & Moen Company. The only concession to be made by the under-payees of royalty, and we deny that it was a concession, was that damages should be settled at the rate of royalty *then* prevailing. The Washburn & Moen Company conceded more than this. The established rate of royalty to it, that which it was expressly authorized to charge by the contract of August 7th, 1879, was seventy-five cents per one hundred pounds, but it settled at the rate of sixty cents. Objection to its course now is untimely and inequitable.

The claim we have been considering was not urged until a controversy arose between the parties over the right of

the Thorn Wire Hedge Company to share in these back damages and bonus money to any extent.

March 21st, 1881, Mr. Calkins wrote to the defendant, saying: "We have not yet received report of sales for "month of February, nor official notice of settlements with "the various infringing companies" (183, 184). This was answered March 28th, deferring the matter until Mr. Ellwood could be consulted respecting it. On April 25th, Mr. Washburn wrote, taking the position that the Thorn Wire Hedge Company had no right to any share in the moneys claimed by it, and enclosed an opinion of counsel discussing and supporting this view (506, 507).

The Thorn Wire Hedge Company in turn consulted counsel, the Hon. Lyman Trumbull, who gave an opinion confirming its claim (509–513). It is not necessary, however, to consider this contention on its merits, for this was compromised by the agreement of July 27th, 1881 (212). By this agreement the Thorn Wire Hedge Company yielded the claims it had theretofore made, and received in consideration ten thousand dollars in cash, a license for two thousand tons granted to Stiles and Calkins, and estimated to be worth twenty thousand dollars (551), and, furthermore, the Washburn & Moen Company released its claim for damages or abatement of royalties on account of the adjudication of the court at Chicago, holding one of the Kelly patents to be invalid. This compromise was made after months of controversy and discussion, both parties being advised throughout by counsel.

This settlement thus made was acquiesced in by both parties throughout the life of the patent, and for years thereafter. No claim is made on this score in the original bill. The settlement is attacked for the first time by an amendment to the bill, filed June 19th, 1889, or eight years after the settlement was consummated. Before the patent expired, the circumstances of the parties were greatly changed. The only patent of value was held to be invalid

by the courts of the Eighth Circuit, and a new contract was entered into between the parties, but the Thorn Wire Hedge Company never so much as hinted dissatisfaction with this settlement. The license to Stiles and Calkins was used throughout its term, the ten thousand dollars were retained, and the complainant had the full benefit of the release of claims for damages or abatement of royalties, on account of the early failure of one of the Kelly patents. When complaint was first made the parties could no longer be placed *in statu quo*.

There is no attempt by the complainant, either in the bill or in the testimony, to excuse this long delay.

This court said in Badger vs. Badger, 2 Wall. 87–95, that in cases of this kind the complainant must "set forth in his bill specifically what were the impediments to an earlier prosecution of his claim; how he came to be so long ignorant of his rights, and the means used by the respondent to fraudulently keep him in ignorance; and how and when he first came to a knowledge of the matters alleged in his bill; otherwise the chancellor may justly refuse to consider his bill on his own showing, without inquiry whether there is a demurrer or formal plea of the statute of limitations in the answer."

See, also, Wood vs. Carpenter, 101 U. S. 140;
Richards vs. Mackall, 124 U. S. 187;
Naddo vs. Barden, 4 U. S. App. 624.

The question of pleading aside, it is the duty of a party seeking to rescind an agreement to act promptly, as soon as he discovers the fraud or mistake of which he complains, else he will be held to have ratified it.

Upton vs. Tritclock, 91 U. S. 45;
Grymes vs. Sanders, 93 U. S. 55;
Hayward vs. Bank, 96 U. S. 611;
Richards vs. Mackall, 124 U. S. 187;
McLean vs. Clapp, 141 U. S. 432;
Galliher vs. Cadwell, 145 U. S. 368.

The complaint of this settlement is that when it was made the Washburn & Moen Company refused to inform the complainant how much had been collected as back damages and bonuses, and further, that complainant feared that to institute suit "would imperil the receipt by it of its future royalties for the remainder of the term thereof."

Of these matters complainant necessarily had knowledge at the time, if they are true as alleged. It knew, if such was the fact, that the defendant had refused to give it information as to the amounts collected, and it knew its own apprehensions as to litigation. Knowing these things, and advised by counsel as to its rights, it made the settlement.

The bill charges that the defendant fraudulently concealed from the complainant the amount of moneys received in the course of the settlements, in January and February, and that the compromise in question was made "without full or accurate knowledge" of the amount on the part of the complainant. The suggestion of fraud is entirely without support in the testimony. The most shown is, that the Thorn Wire Hedge Company asked for an accounting of the matter, and that this was refused on the ground that it was not entitled to it. It will be observed that the bill does not charge that complainant was misled or deceived in any way, or that the compromise was made by it in the belief that the amount involved was less than it was in fact. Nothing of that kind. The testimony does not come up to the averments of the bill. On complainant's part it is, that in February Mr. Calkins spoke to Mr. Washburn about it, and Mr. Washburn said he did not know the amounts, as he had forwarded them to Worcester, but he would send them. Afterwards he (Calkins) wrote requesting an accounting, and the correspondence culminated in a refusal (96).

A consideration of all the testimony will show, however, that there was no question between the parties as to merely communicating information. What the complainant insisted

upon, and what the defendant refused, was, in all strictness, *an accounting*. The letter of March 21st calls for (183) an accounting, not for mere information. There is no suggestion in the action of the directors of the Thorn Wire Hedge Company, on June 6th (223), that they desired or needed information as such. No demand of that sort was ever made. Letters were written by the Thorn Wire Hedge Company, respecting this matter, May 12th (184), May 16th (509), July 6th (185), and July 11th (517). In not one of them is there expressed a desire for knowledge, in them all the demand is for money. When the parties met face to face and made the settlement, if the Thorn Wire Hedge Company had desired further information than it already possessed, this was the time to ask for it. Mr. Calkins says, however, "I do not remember whether at that time we demanded a statement or not, as our attorney went with us" (96). Mr. Stiles says, "I don't think I had any talk with Mr. Washburn when the settlement was consummated in July, in regard to back damages. * * * I think the matter was left largely to Mr. Trumbull" (241).

Judge Trumbull was not called as a witness. For aught that appears, he may have had full and exact information. He no doubt asked for whatever he wished to know, and there is no pretense that he was deceived as to anything.

Their willingness to settle under these circumstances was owing to the fact that they had substantial and even accurate knowledge of the amounts involved. Mr. Calkins admits that he was informed of the basis of the settlement, *i. e.*, that it was from fifty to sixty cents per hundred pounds. He says also, referring to the date of the compromise, "we had heard, prior to that time, that Washburn & Moen had received very considerable sums of money from these various licensees at the time of these settlements, in January and February, 1881. And we believed the rumor to be true, and had no reason to doubt it at the time we made the settlement" (101). He says further, that the amount

in fact received by Washburn & Moen, as he ascertained it to be in the course of taking testimony in this case, "was not so large as I had been led to believe by some of the licensees' reports" (109). Thus it seems that he had an exaggerated idea of the amount involved, but how this could mislead him, to his hurt, we shall not attempt to explain.

Mr. Stiles, too, says: "I had understood that the amount of back damages received by Washburn & Moen was quite large. They never told us to the contrary. And I so understood at the time of making the settlement" (248). In another case he was asked about this matter, and he testified: "We had an unsettled account against Washburn & Moen Manufacturing Company, in which we claimed, and our attorneys told us we were entitled to, over eighty thousand dollars, and we settled for ten thousand in cash and this license referred to" (251). This is somewhat definite. Treating the Thorn Wire Hedge Company as entitled to the bonus in the ratio of 15 to 75, which was the only claim it could with any sort of fairness make to the back damages in the ratio of 15 to 55, the first term of the ratio being the rate of its royalty, and the last the average rate of settlement, and we find the total sum of its share to be $83,235.73. The precise correspondence of Mr. Stiles' former testimony with this amount is very remarkable if it was a mere matter of haphazard.

Judge Trumbull had some figures on which to base his estimate. From what source did he get them? Mr. Stiles answers, "we got some of them from the licensees individually; that is, we got the figures on which we based our estimate by applying to individual licensees to learn how much they had paid. I think likely we did get others from Mr. Millington, but I have no recollection of ever getting any" (271).

The plain truth is there was, by the defendant, no concealment; in fact there was no possibility of it, and there was no motive to it.

Messrs. Washburn and Millington both testify that they cummunicated all the details of the settlements with licensees to Mr. Stiles. Mr. Washburn, in a letter written June 6th, 1881, to the Thorn Wire Hedge Company, said: "you, through the officers of your company, especially through your president, Mr. Stiles, were cognizant and in detail of the licenses we were issuing to a large number of parties during the months of January and February last, and at a royalty of seventy five cents per one hundred pounds," etc. (514). This does not consist with the statement that Mr. Stiles was given the cold shoulder in those settlements, and it was not dissented from in any letter by the Thorn Wire Hedge Company. Mr. Ellwood and Mr. Coburn also testify that Mr. Stiles was fully, freely and confidentially consulted on all matters, and that no suggestion was ever made to keep anything from him.

The circumstances did not admit of concealment. More than fifty persons were involved, and no one has testified that any injunction of secrecy was placed upon him. Messrs. Baker and Dillon, two of the licensees, were examined on our behalf, and say that no intimation of concealment was made to them. In truth, no man had better facilities for finding out this matter than had Mr. Stiles. Mr. Coburn had copies of all papers in his office, and Mr. Stiles had free run of that office and access to barbed wire papers, as a matter of course. In February the licensees organized the Manufacturers' Equitable Association, a sort of committee of the whole, charged with the duty of conserving the general welfare. Mr. Stiles was chosen president of this association, and brought into intimate and confidential relations with every licensee. Thus, if information had been withheld from him by Mr. Washburn, he had other ways of acquiring it.

Nor was there any motive to concealment in this matter. The only purpose that concealment could serve would be to induce a belief by complainant that the amount in contro

versy was comparatively small. But concealment alone would not accomplish this. To be effectual, it must be accompanied by some positive suggestions as to the amount. But July 11th, 1881, when there was $27,000 due the defendant for wire purchased by the complainant, a request to settle the account was refused on the ground as stated by Mr. Calkins in a letter of that date, that "from the best information that we have been able to obtain relative to the amount of wire that you licensed in these settlements, there would be a large sum of money our due, and much in excess of your account for wire furnished this company. In view of these facts, we do not feel justified in giving you our note or notes, as the balance must be largely in our favor" (517, 518). This was answered by Mr. Washburn July 14th, and in referring to the controversy, he says, "the amounts involved are large" (518). It is admitted by both Stiles and Calkins that they believed the amount to be very large; indeed, their belief exceeded the fact, and that the defendant never said or did anything to induce a belief to the contrary. There was no intent to deceive the complainant, and the complainant was not, in fact, deceived, and the element of fraud is, therefore, entirely wanting in the case.

Small wonder, in view of all this, that Mr. Stiles, not having read the pleadings, was unable to state for what reasons he was now seeking to open this settlement (248).

Silence, or refusal to speak, under some circumstances, is equivalent to fraud, but only where it has the effect to mislead (Kerr on Fraud and Mistake, 128n). The rule is well expressed in Niven vs. Belknap, 2d John. 589: "There is a negative fraud in imposing a false apprehension on another by silence, where silence is treacherously expressive." But such is not our case, and it is not claimed to be so. Nobody, neither Mr. Stiles nor Mr. Calkins, suggests that a belief was induced in his mind by Mr. Washburn, or even entertained by him for any reason whatever, that the

amount then in controversy was less than it was in fact. Mr. Washburn refused to account for the back damages, and gave as a reason that the Thorn Wire Hedge Company was not entitled to an accounting. Refusal to *account*, under such circumstances, cannot be held to be a fraudulent concealment of facts, which the one party was entitled to know and the other bound to disclose. (Taylor vs. Ely, 25 Conn. 251.)

The bill charges, also, that an inducement to the settlement was the fear of litigation, and on this head Mr. Calkins testified that they were advised by Judge Trumbull that this subject of difference might lead to a long litigation, and the withholding by Washburn & Moen of royalties to accrue thereafter, which would amount to a large sum of money, and that if they needed this money they had better settle (97). It is not claimed that the Washburn & Moen Company made any threats of this sort or any other. That was entirely the suggestion of complainant's counsel. The only exhibition of a disposition of that sort was by the complainant, when it refused to pay for wire purchased, until this controversy was adjusted. There was nothing in the nature of duress in the situation. The complainant was not in straitened circumstances, and that it was fearful of litigation, and made the compromise to avoid it, will not justify its endeavor to set it aside after an acquiescence of eight years.

Pope vs. Owsley, 27 F. R. 100;
French vs. Shoemaker, 14 Wall. 314.

The case is, after all, an extremely simple one. The complainant claimed a share of this money, and, therefore, demanded an account of it. The defendant denied its right to any share of it, and, therefore, refused to render an account. Each party was supported in its contention by advice of counsel. The complainant knew from independent sources, substantially if not exactly, what had been re

ceived by defendant, and if mistaken at all as to the amount, conceived it to be greater than it really was. In view of the relations existing between them, it wished to avoid litigation with the defendant. Under these circumstances it did not withhold its demand, but affirmatively and expressly compromised it for valuable considerations. Of these considerations it has exhausted the benefit. It cannot now restore them, excepting the money received, and this it does not offer to restore, but taking everything for granted on its own behalf, it offers simply to allow it as a credit on what it claims. In the meantime the situation has changed. The complainant no longer cares for the good will of, nor for peace with, the defendant, and holding to all it gained by the compromise, it is striving to get back all it relinquished. Such conduct never has received, and never can receive, the sanction of a court of equity.

Henderson vs. Cummings, 44 Ill. 325;
Bassett vs. Brown, 105 Mass. 557.

To no case more appropriately than to this can be applied the words of the court in DeWolf vs. Hays, 125 U. S. 614:

"In the state of facts then existing the settlement appears to have been a prudent and a fair one, made deliberately and under advice of competent counsel. Independent of any question of laches, therefore, no ground is shown for maintaining this suit."

One item in connection with this matter demands, perhaps, separate notice. The Ohio Steel Barb Fence Company took a license in December, 1878, but operated under it only for a very short time, when it refused to make further payments of royalty and assumed the status of an infringer. It had reported the manufacture and sale of wire in April, 1879, to the Washburn & Moen Company, which had in turn reported it to the Thorn Wire Hedge Company, and the latter's share of royalty on the wire thus reported amounted to $872.19. After reporting this wire, however, the Ohio Company refused to pay the royalty on

it, and its license was canceled. In January, 1881, it came in and again took license and settled for its past manufacture and sale by paying, as did the other manufacturers who settled at that time, back damages at the rate of sixty cents per hundred pounds. August 23d, 1882, complainant wrote to defendant, asking payment of this amount as royalty due from the Ohio Company (188). Defendant answered, saying this had been settled for as back damages with the Ohio Company, and was, therefore, embraced within the settlement of July 27th, 1881 (189). On October 4th, 1882, complainant replied that they understood that the amount in question had been paid by the Ohio Company as royalty in the settlement of 1881, and that the company had settled in the way of damages only for the wire sold after they ceased to report (189). The defendant wrote in response to this, on October 7th, 1882, saying that this item was included in the settlement with the Ohio Company as back damages, and not as royalty; that the settlement, at the fixed rate then established, included all the wire made by the Ohio Company, after it ceased to pay license fees and not after it ceased to report (440). With this explanation the complainant seemed to be content, and nothing more was heard of the matter until it was revived in the course of this suit. The view taken by defendant was acquiesced in for years, and not disputed until by this suit it was sought to go back and reopen every matter of difference that had ever existed between the parties, whether large or small. We submit that this item is within the settlement of July 27th, 1881, and that the claim now made for it is entitled to no consideration.

Claim Under Agreement of August 7th, 1879.

It is claimed that, inasmuch as the Washburn & Moen Company did not immediately after the execution of the agreement of August, 1879, reduce the royalty to its licensees to seventy-five cents per one hundred pounds, the

Thorn Wire Hedge Company was relieved from its agreement to reduce its royalties from twenty-five to fifteen cents per hundred pounds.

The clause of the agreement involved is as follows:

"I. That for the purpose of *increasing the manufacture and sale of the barbed fence wire* mentioned in said agreements and license *and inducing other parties to pay royalties thereon*, it is mutually agreed by the parties hereto, that the party of the second part will reduce the amount to be paid to it per pound, by the party of the first part, on all barbed fence wire hereafter manufactured, or caused to be manufactured and sold by it, * * * * to fifteen cents per hundred pounds, * * * * * * and the said party of the first part agrees to reduce the royalty or amount required to be paid to it on account of its ownership of any patent used in the manufacture of said wire by it or its licensees, or persons manufacturing and selling barbed wire under its authority, or who shall hereafter be so licensed by it, to at least seventy-five cents per hundred pounds, etc., etc."

We have to say, in the first place, that there is no foundation in the bill for any claim of this sort. The only thing in the bill respecting the agreement is the recital that it was entered into, then the agreement itself is set forth, and finally it is set forth on page eleven, that the contract of the parties, as supplemented and modified by this agreement, "remained in force between the parties thereto substantially as therein provided until June 12th, 1883, at which time there was a further modification, etc., etc."

The bill abounds with recitals that the defendant did not perform its agreements in the respect that it did not report all the wire it made and sold, and that it did not collect all the royalties it was bound to collect, and also that it did not bind all its licensees by proper contracts to pay at least the amount of royalties due to complainant, but of such a thing as exacting too much royalty from any licensee, or attempting to do so, there is no suggestion in the bill.

When the bill was first framed, it is very evident that the complainant had not brought itself to the point of questioning anything that occurred prior to the settlement of July 27th, 1881. As the suit progressed, the complainant

no doubt concluded with the Hoosier schoolmaster, that it was best "while your's gittin, to git a plenty," and so amended its bill to impeach the settlement referred to, and renewed its original claim for a share of the bonus money and the back damages. But even this amendment to the bill does not allege any violation of the agreement of August 7th, 1879.

It is alleged in respect of the back damages, that "by the terms of the said agreement then in force between the defendant and your orator, your orator was entitled to share in the said damages for past infringements and bonus money collected by defendant at the rate of twenty-five cents per hundred pounds." This is the closest approach to anything like a suggestion that the agreement of August 7th, 1879, was not operative, to be found in the bill. This allegation has reference to back damages and bonus money, and what the pleader had in view we can only conjecture. Certain it is he does not allege that there was any violation of the agreement in question, nor does he anywhere allege that, so far as royalty was accounted for and paid by defendant, there was any accounted for and paid at too low a rate. For want then of appropriate allegations in the bill, this claim cannot be considered.

But beyond this the claim has no merit. Complainant's contention is, that its agreement to reduce royalty to defendant was dependent upon the latter's agreement to reduce royalties to licensees, and that until royalties to licensees were reduced to seventy-five cents, the royalty to be paid to complainant was not lessened, but stood at the old figure of twenty-five cents.

In August, 1879, the defendant had but a single licensee, viz: H. B. Scutt. By this time the Ohio Steel Company had returned to the ranks of the infringers. The defendant was at this time paying to the complainant, and the other under-payees of royalty, 87½ cents per hundred pounds (438). It was getting from Scutt 137½ cents per hundred

pounds (288). A reduction all around was deemed advisable. The defendant wanted from its licensees an advance of 25 cents over what it was paying, and this was thought to be reasonable by nearly all concerned. It wanted such reductions from the under-payees as would, with this advance, enable it to put the royalty to licensees at seventy-five cents.

Everybody save Putnam consented at once. As part of this plan, the agreement in question was made. The defendant at once reduced the royalty to Scutt from 137½ cents per hundred pounds to 81¼ cents on general sales, and 56¼ cents on sales in Texas. August 1st, 1880, royalty to Scutt was reduced to fifty cents on all sales (481).

From and after August 1st, 1880, the reduction by defendant on all sales was greater than it was required to make, and it was so from the beginning on sales in Texas. So far as it failed in performing its contract to the full, it was in not making 6¼ cents more reduction on general sales prior to August 1st, 1880.

Because of this apparent partial failure of performance by the defendant, the complainant contends that it is entirely relieved from performing its agreement, and is entitled to royalties at 25 cents per hundred pounds on all wire sold up to January, 1881. Why the claim is not made for the whole term of the patent is not obvious.

If complainant was ever entitled to anything on this score, it was to such damages as resulted to it from any breach of the contract by defendant.

There is no proof in the record that any damages resulted, and no claim of that sort was ever made. And for very good reasons. The object of reducing royalties was twofold. The first was to increase the manufacture and sale of barbed wire by the then authorized manufacturers, and the second was to induce infringers to take license.

The first object could be accomplished only through the complainant and I. L. Ellwood, their right of manufacture

being unlimited, while that of Scutt was restricted by his license to a definite amount (287). This object was attained fully by the reduction made by the under-payees to the defendant and Ellwood. Their output was increased, and the complainant got the benefit of that increase in increased royalties. Scutt's output was limited and fixed, and, therefore, complainant never once objected that he was compelled to pay too much royalty during the period from August 7th, 1879, although it was cognizant of the rate paid by him all the time. Mayhap, as a manufacturer, the complainant was even pleased that the conditions of manufacture for Scutt, who was a competitor as well as a licensee, were not more lightened. Be this as it may, complainant seemed content with what was done, and month after month, as royalty accounts were rendered and payments were made, it executed its receipts in full.

Now, as to inducing infringers to take license: It is not shown that anybody was prevented from taking license because of anything done by defendant. It may be that defendant should, nevertheless, have put its royalties down to seventy-five cents, but until Putnam made reduction, the defendant was burdened with under-royalties to the extent of 68¾ cents (438), and the margin between this and seventy-five cents was too small to meet the charges incident to sustaining the patents. And this explains the acquiescence of the complainant. The defendant company had the right at any time to terminate its contract by reconveyance of the patents. To push matters to an extremity was for the complainant to kill the goose that laid the golden egg.

When the agreement of August 7th, 1879, was made, it was understood that a meeting of the infringers would soon be held, and it was thought they might be induced to take licenses.

They did not do so, and in his testimony in this case Mr. Stiles charges the defendant with responsibility for the

failure. He says the infringers were willing to pay seventy-five cents, but that Mr. Washburn demanded eighty-one and one-fourth. The contemporaneous evidence shows Mr. Stiles to be mistaken. Mr. Calkins, writing about this time, August 14th, 1879, says: "Charles (Charles F. Washburn) is here. Dodge & Co. (Washburn's counsel), slowly grinding away. The results will be known, I suppose, when they get through" (683). When they did get through, Mr. Calkins thus reported the result: "Washburn failed to make any arrangement with the Union, as they offer only one-half cent for a license" (684.) To issue a license at this rate, fifty cents per hundred pounds was, of course, out of the question, as the under-royalties to the Washburn & Moen Company stood at sixty-eight and three-fourths cents.

Mr. Washburn being disappointed in getting the expected reductions from all the under-payees of royalty sought further reductions from the Thorn Wire Hedge Company. This, and coupled with it the matter of granting licenses to infringers, was the subject of considerable correspondence.

October 9th, 1879, Mr. Stiles wrote that Sears and other infringers would take a license at seventy-five cents, on condition, however, that they should pay no royalty until three-fourths of the infringers came in (498). This proposition Mr. Washburn declined, as he had the right to do. He does say further, that as long as under-royalties stand as they do, he cannot issue licenses at less than eighty-one and one-fourth cents, this amount being necessary to allow their required margin of twenty-five cents (498).

Mr. Stiles answers, October 20th, 1879. He says he has seen Sears, and thinks his company would come in at seventy-five cents. But this is on the condition before stated, that no royalty should accrue until three-fourths of the Union of infringers took license, and Mr. Stiles states that

it was his idea that the under-payees of royalty should waive their claims until that time (568).

Mr. Washburn had proposed that if the Thorn Wire Hedge Company would reduce three cents more, he would either get the remaining reduction necessary from Putnam or the Washburn & Moen Company would itself stand it. Referring to this Mr. Stiles says, that Mr. Washburn had assured him, when his company made the reduction in August, that Putnam would reduce his royalties to twelve and one-half cents per one hundred pounds, this being the reduction now asked of Putnam by Washburn & Moen.

This letter is answered October 22d, 1879. Mr. Washburn says that Mr. Stiles is not sufficiently definite, and he repeats that he cannot put licenses at seventy-five cents until Mr. Stiles has accomplished something with his company. As to the Putnam matter, he says the only assurance given was his belief that he would come to twelve and one-half cents. "This" he says, "we did believe, but found ourselves mistaken." He says again, that parties who take licenses must begin to pay royalty at once, and if they have not faith enough in the patents to do that, they had better stay out. He renews his request for reduction by the Thorn Wire Hedge Company, and wants to know if it can be accomplished (568).

To this letter there was no reply, and November 26th, 1879, Mr. Washburn inquires, "What is the position of your company with reference to that further reduction?" He says he is very sorry to have to ask further concessions, and would not do it if he did not think it was for their mutual interests (571). On the same day Mr. Washburn writes again to say he has told Sears that if the "opposition" would make a proposition in black and white that he (Sears) felt Washburn & Moen could subscribe to, he (Washburn) would meet with them. Also that he advised Sears to take a license and commence paying royalties at

once, and that licenses could not be issued on any other terms (572).

January 13th, 1880, the Thorn Wire Hedge Company is heard from again. Stiles advises that a blank license be prepared and left with Coburn or some other attorney, and to have no more talk with infringers, but have them, if they want a license, go to the attorney's office and arrange matters without any change whatever. He thinks there is no use of talking about the Union coming in as a body, but that when a few have signed others will follow. He also thinks that if Mr. Washburn will issue licenses at seventy-five cents, as he had proposed last July, the matter can be arranged (500).

January 19th, 1880, Mr. Washburn writes that such a license shall be prepared and sent to Coburn. He adds: "You know we cannot issue a license at seventy-five cents "yet. Have you any suggestions to make on that point" (572).

February 24th, 1880, Stiles writes that he has met Sears, and that Sears has some scheme for consolidation and payment of royalties, but he enters into no details. He urges a vigorous prosecution of pending litigation (501).

February 27th, 1880, he writes again, and says Baker would like to take a license, but is afraid the patents will be beaten. He again advises that the litigation be vigorously pushed (502).

March 3d, 1880, this letter is acknowledged by Mr. Washburn.

August 20th, 1880, Mr. Washburn writes at length. He has had a call from the committee of the Anti-monopoly (unlicensed manufacturers), who seemed anxious to make some arrangement, and he thinks something should be done as much in the interest of under-payees of royalties as in the interest of his company. The committee estimated the production for the year at 36,000 tons, distributed as follows, viz.: Kelly wire (made exclusively by the Thorn

Wire Hedge Company), one thousand two hundred tons; Ellwood and Washburn & Moen eight thousand tons; the remainder by the other manufacturers. He can make an arrangement so that Washburn & Moen could pay the Thorn Wire Hedge Company each year, for the next ten years, seven and one-half cents per hundred on thirty-five thousand tons, while, as matters stand, the Thorn Wire Hedge Company is getting fifteen cents per hundred on only eight thousand tons. The first amounts to fifty-two thousand and five hundred dollars per year, while the last is but twenty-four thousand dollars. He asks whether the Thorn Wire Hedge Company is in favor of these figures, and says the time for boy's play is past. A like arrangement with Glidden is contemplated. He argues the matter at some length, and concludes that no one can afford to pay more than fifty or sixty cents, and says that the only way to get royalty down to this from eighty-one and a fourth cents is for the Thorn Wire Hedge Company, Glidden and Putnam to cut their royalties in two (284).

This letter is answered by Mr. Stiles, August 25th, 1880. He says if the amount named could be guaranteed, they would be content without going into any figuring about it. But he has no faith in the committee. They only represent a small portion of the infringers, and there would remain as strong a combination as before. Their original contract was for thirty-seven and one-half cents, and they have reduced considerably already, and are now asked to make it seven and a half. While the thirty additional cents may be a small matter, they must decline to make further reductions on vague promises. They reduced to twenty-five cents to bring in Scutt and Billings, and now Billings won't pay, *while Scutt is damaging them thousands of dollars by underselling.* The last reduction to fifteen cents was made with the understanding that the Anti-monopoly would come in, Washburn & Moen agreeing to make royalty seventy-five cents, and he has good reason to

believe that if this had been done they would have done so, and there is where the boy's play comes in. He amplifies this reproach. *All this, he states, is said, not to find fault*, but to show how the Thorn Wire Hedge Company look at it. When the last settlement was made, Mr. Washburn guaranteed the royalty should be seventy-five cents, but went home to start Putnam, and now Putnam is to be started again. He is confident a favorable decision will be rendered in October, but Mr. Washburn will know whether it will be of any use after they get it. His company will not reduce unless the amount is made certain. He adds: "We are satisfied to have you stiffen up your spinal col- "umn, get a decision, and, if favorable, shall insist on your "collecting all damages you can, as these scoundrels have "done all they could to injure you and us" (285).

We may remark in passing that Mr. Washburn did "stiffen up his spinal column," awaited the decision, and this being favorable, made the best settlements he could, issuing licenses at seventy-five cents, under which the Thorn Wire Hedge Company received its share of royalties, at the rate of fifteen cents per one hundred pounds, until the Kelly patents were held invalid by the federal courts of Iowa and Missouri, because of the expansion of claims in re-issues procured by the Thorn Wire Hedge Company.

August 27th, 1880, Mr. Washburn writes. He asks Stiles to name the minimum his company would take, if guaranteed, and help along negotiations instead of throwing cold water on the efforts being made for the mutual benefit. He reminds Mr. Stiles that the Washburn & Moen Company have paid his company considerably over $100,000, without getting a particle of protection or advantage, and have spent more than $20,000 for litigation in trying to establish the Kelly patent alone. How long this sort of thing can be kept up is doubtful. He denies that reductions have been made on vague promises. They were all the result of joint action, and for the purpose of bringing

in outsiders, and if this was not accomplished, it was not the fault of Washburn & Moen. He states pointedly that they never put the royalty to the infringers inflexibly at eighty-one and one-fourth cents, but had always said, as Mr. Stiles well knew, that while royalty at the time of talking was that amount, no doubt *it would be reduced to seventy-five cents if they would take license.* He refers to conversations in which these statements were made, and at which Mr. Stiles was present, and insists that it is nonsense, therefore, to charge that the failure to offer seventy-five cents pure and simple, was the occasion of not completing arrangements with the Anti-monopoly. He asks to be told definitely whether the Thorn Wire Hedge Company will insist on the collection of past damages, for, if so, "we "shall stop right here any further efforts to bring in Anti-"monopoly, and let you undertake to collect past damages "on your own account" (502).

This letter was long unanswered. Its statements respecting past transactions are undoubtedly accurate. There is no denial of them, and they accord perfectly with the letters written by the various parties at the time the outside manufacturers were talking of coming in. At the meeting in August, 1879, they would not offer above fifty cents, and afterwards all propositions to take license which the correspondence discloses are coupled with the condition that no royalty should accrue until the three-fourths of those in the Union should come in.

The letter shows, too, how great was the burden which the contract with the Thorn Wire Hedge Company imposed on the Washburn & Moen Company, and, rather than submit to its being increased, the latter would relieve itself at once by turning back to the Thorn Wire Hedge Company, as they had the right to do, their patents, with all their burdens and benefits, but, as to that time, the burdens incident to the ownership were very great and the benefits all monopolized by the Thorn Wire Hedge Company, that

company prudently held its peace and consented to let Washburn & Moen go on with the matter longer.

On September 27th, 1880, Mr. Washburn asked by telegraph for an answer to this letter (503).

October 7th, 1880, it came. Mr. Stiles is now very much of Mr. Washburn's opinion. He says he has been talking with the Anti-monopoly, and has told them the Thorn Wire Hedge Company would make any arrangement so that they need not be paid more than $50,000 a year, and for himself, he would be willing to reduce royalties one-half if they could bring in the firms they named. He will be glad to have the matter fixed some way, and were he alone things could be arranged in a few minutes. The Anti-monopoly told him that Mr. Washburn had said to them, that if settlements were made, it would be best not to have a decision, and if this is so, the sooner a settlement is made the better (503, 504).

Mr. Washburn writes October 6th, 1880, and says he conceded nothing to the Anti-monopoly, save that if they made settlements a decision would not be necessary (504).

Here the correspondence ceases for a time, and we have nothing until December 7th, 1880, when Mr. Stiles writes to Mr. Moen, Mr. Washburn being then in Europe. He says the committee of the infringers have a writing purporting to be a basis of settlement, and from their statements and a letter of Mr. Washburn's, he concludes that the Washburn & Moen Company had weakened in regard to patents and had dropped from a refusal to license at seventy-five cents to an agreement to take fifty cents. He has spent much time with the infringers, and finds they expect to get royalty at thirty-seven and a half cents, because the Kennedy patent will soon be paid up. The general impression among infringers seemed to be that Washburn & Moen would settle at fifty cents and forego past damages, and consequently had no faith in their patents. He advised that the Washburn & Moen Company insist on seventy-five

cents and let them come in one at a time and take license. There is no trusting these persons. Everything they do is some snare "to trap us and get something to use with the public." If the decision is a favorable one, some persons must be made to pay or else those who had said there was no risk in handling infringing wire would say, I told you so, and the other side would be regarded as bulldozers, who had been trying to rob the people (505).

Soon after this the decision came. Mr. Dodge came to Chicago to look after the settlements, and Mr. Stiles examined the form of license that had been proposed, and on December 29th, 1880, wrote to Mr. Moen, approving it in unqualified terms.

We have gone over this correspondence thus fully to show the situation of the parties, and to demonstrate that no damage resulted to the complainant from the conduct of the defendant.

As soon as infringers would take license, which was as soon as the patents were sustained by the courts, the royalty was put at the stipulated rate of seventy-five cents. Meanwhile the only person injured, if any one, for any portion of time, was Mr. Scutt, and whether he was injured depends upon what is not shown, viz: the relation of his sales in Texas to his sales elsewhere. And as to Mr. Scutt, the complainant did not care to have any reduction, as its chief complaint of him was that he was "*damaging them thousands of dollars by underselling.*"

The entire business was, during this period, involved in grave uncertainty. The patents had never received judicial sanction, and their validity was being stoutly contested. The expenses of litigation were very great, much greater than the benefits received from the patents. The contracts under which defendant held the patents were very onerous. But it had one mode of relief, and that was to terminate the contracts, and because of this, and because it was suf fering no injury, the complainant made no objection.

We are not seeking then, as complaimant will contend, to vary the written contract between the parties by parol evidence that they intended something different from what was set down, but only to show by evidence, both written and parol, direct and circumstantial, that what the Washburn & Moen Company did by way of performing the contract, whether or not in accordance with its strict terms, was satisfactory to and was accepted as sufficient by the Thorn Wire Hedge Company at the time, and this it is well settled we may do (Wharton on Contracts, Vol. 2, Sec. 870).

The Thorn Wire Hedge Company, during all the period from August 7th, 1879, until January, 1881, knew that the Washburn & Moen Company was trying to get further reductions to itself before reducing royalties to its licensees, unconditionally, to seventy-five cents. If it had any objections to this course, if it believed that it was suffering any injury thereby, if it intended as a consequence to insist that its own agreement to reduce to fifteen cents had been obviated, it was bound to declare itself accordingly at the time. Every month, however, it received a statement of royalty account from the Washburn & Moen Company, and every month settlements were made. The statements of account showed that royalty to the Thorn Wire Hedge Company was computed at the rate of fifteen cents, and, notwithstanding this, it every month executed its receipts acknowledging payment "of royalty due as per statement rendered."

An account rendered, not objected to within a reasonable time, is thereby admitted to be correct, and acquires all the force of an account stated (*Talcott vs. Chew*, 27 Fed. Rep. 273; *Wiggins vs. Burkham*, 10 Wall. 129; *Oil Company vs. Van Etten*, 107 U. S. 325; *Bank vs. Morgan*, 117 U. S. 96; *Bailey vs. Bensley*, 87 Ill. 556; *Heartt vs. Corning*, 3 Paige, 566; *Edwards vs. Hoeffinghoff*, 38 Fed Rep. 646).

Where parties have made settlement of their accounts, this will not be opened if the party seeking it was aware

when he made the settlement of the facts on which he bases his claim to relief (*Quinlan vs. Keiser*, 66 Mo. 603; *Harley vs. Bank*, 76 N. Y. 618; *Bull vs. Harris*, 31 Ill. 487; *Manchester Paper Co. vs. Moore*, 10 N. E. Rep. 861).

The Supreme Court of the United States, speaking to this question, has said:

> Much the largest number of controversies between business men are ultimately settled by the parties themselves; and when there is no unfairness, and all the facts are equally known to both sides, an adjustment by them is final and conclusive. Oftentimes a party may be willing to yield something for the sake of a settlement; and if he does so with a full knowledge of the circumstances, he cannot affirm the settlement, and afterwards maintain a suit for that which he voluntarily surrendered (*Hager vs. Thompson*, 1 Black, 80–93).

The sole advantage to the Washburn & Moen Company resulting from its course was an excess of royalty of 6¼ cents on wire made by Scutt and sold outside the State of Texas, between August 7th, 1879, and August 1st, 1880. Because of this, the Thorn Wire Hedge Company wants an additional royalty of ten cents on all wire sold by Scutt, whether in Texas or elsewhere, and on all wire made and sold by the Washburn Company and by Ellwood, and this for the entire term from August, 1879, to January, 1881. For every penny gained by defendant, the complainant now demands a pound.

A claim arising under such circumstances and attended with such consequences should be promptly made, but of this claim nothing was heard until after the controversy concerning the back damages arose in March, 1881, and it never would have been presented on any merits of its own. March 21st, 1881, Mr. Calkins wrote, saying they had not yet received "official notice of settlements with the various infringing companies." Mr. Washburn replied, on March 28th, deferring the matter until Mr. Ellwood could be consulted. On April 25th he wrote, denying the complainant's claim to share in the damages, etc., and inclosed the

opinion of counsel supporting this view. On May 12th, the complainant wrote to acknowledge receipt of the monthly and quarterly reports of royalty sent in by Washburn & Moen, and in this letter it objected to them as incorrect; first, because they should be credited with their share of royalties received at the time of the settlement, *i. e.*, back damages, at the rate of twenty-five cents per hundred pounds; and, second, because, on the wire reported since, the royalty should be stated at twenty-five cents. They promised Washburn & Moen an opinion from their attorney, and in the meantime say, they will credit Washburn & Moen on account with the royalties and merchandise received from them (184).

Both the matters of controversy stated in this letter were disposed of by settlement made July 27th, 1881. In their deaths as in their lives they were not divided.

In determining this question, we may consider all the attendant circumstances, and as well the previous and the subsequent conduct of the parties. Coburn vs. Land Co., 138 U. S. 196.

The two claims were coupled in all the subsequent correspondence of the parties. They were both considered at length in the opinion of Judge Trumbull.

June 6th, 1881, Mr. Washburn writes at length. As to this royalty claim he urges that settlement with the Thorn Wire Hedge Company had all along been made on the fifteen cent basis, and when licenses were issued in January and February, of which Mr. Stiles was cognizant in detail, it was with the understanding that royalty to the Thorn Wire Hedge Company should be fifteen cents (513–514).

July 1st, 1881, Washburn & Moen sent their merchandise account, and asked that this be settled without reference to the matters in dispute between them (516). To this the Thorn Wire Hedge Company replied, July 6th, 1881: "We acknowledge truly that no final or complete settlement has been made with your company since the first

evidence of variance, in respect to your report of royalties under licenses and settlements with them, first made itself manifest to us." A desire for amicable settlement is expressed, and it is suggested that a date for meeting be fixed, and that it be for the then present month. The statements of royalty as made, it is repeated, "cannot be accepted by this company as the proper amount due as per our mutual agreement" (185). Washburn & Moen acknowledge this letter under date of July 9th, 1881. They insist that the royalty accounts are correct, but that in any event the merchandise should be settled for. They repeat the desire for amicable settlement (186). The Thorn Wire Hedge people write July 11th, 1881. They say they are anxious to settle, but decline to pay for the merchandise received, because an amount largely in excess of this is due them on the settlement made in January and February (517, 518). Two other letters follow, in which it is agreed that Mr. Washburn shall come to Chicago and arrange matters.

He came as agreed, met the officers of the Thorn Wire Hedge Company, made a settlement with them on July 27th, and thenceforth all was pleasant between the parties.

Mr. Calkins, however, in his testimony now says that the only thing settled on their part was the claim for a share of the bonuses and back damages. He says that the matter in question was talked about, but was intentionally left unadjusted (115). He is contradicted in this by the presumption of the law, by the terms of the settlement paper, by the testimony of every other witness in the case, by the circumstances at the time, by the subsequent conduct of the parties, and finally by himself.

The correspondence already cited shows two claims by the Thorn Wire Hedge Company against Washburn & Moen, that for a share of the bonuses and back damages, and that now under question. There was no other matter of difference then known to exist between the parties, save

a small claim growing out of some mistakes in the shipment of plain wire, the correspondence respecting which was distinct from that relating to the larger matters of dispute, and was carried on between Mr. Calkins and Mr. Moen for their respective companies. This is important for a purpose to be considered later.

The correspondence cited shows that when the parties met in July, the Thorn Wire Hedge Company was indebted to the Washburn & Moen Company for plain wire to a large amount. It refused to pay this or give its notes, because it claimed a balance in its favor. Its counter-claim consisted of two items, back damages and the demand for royalty at twenty-five cents. After the agreement of settlement was made, Mr. Calkins, on August 4th, at once settled the account by sending notes of his company for the amount due (519). Again, in September, he balanced the accounts of the parties, and sent notes of his company for the amount due from it, and so he continued to do from month to month for years thereafter (443).

A settlement between parties presumptively includes every known existing matter of controversy between them. Normandin vs. Gratton, 12 Ore. 505; Bull vs. Harris, 31 Ill. 487; Straubher vs. Mohler, 80 id. 23; and Freeman vs. Bolzell, 63 Wis. 380.

In this case the presumption is strengthened, nay, made conclusive, by the fact shown above, that the Thorn Wire Hedge Company at once executed notes for the price of wire previously purchased, which up to that time it had refused to do. Grimmell vs. Warner, 21 Ia. 12; Dutcher vs. Porter, 63 Barb. 15; Stiles vs. Brown, 1 Gill. 350; Phy vs. Clark, 35 Ill. 377, and O'Connor vs. Hurley, 147 Mass. 149.

The settlement paper, by its very terms, includes this claim. The contention of the Thorn Wire Hedge Company was that by the failure of the Washburn & Moen Company to reduce royalty to licensees to seventy-five cents, its

agreement to reduce to fifteen cents had been abrogated. On July 26th a settlement had been effected with Jacob Haish, and to this the Thorn Wire Hedge Company formally assented. This was referred to in the agreement made between the parties hereto on July 27th. Let us now examine that agreement.

It recites:

That the Thorn Wire Hedge Company claims that under its agreement with Washburn & Moen it is entitled to a share of the back damages and bonuses, *"and for other causes makes other claims for damages or compensation on various grounds against said Washburn & Moen Manufacturing Company."*

Here, we submit, is the evidence of an intention to make a comprehensive settlement. The back damage and bonus claim is specifically mentioned, because this was most seriously urged, but something is intended by the language quoted above. It meant, and could mean only, the demand under consideration.

The contention of the Thorn Wire Hedge Company at this time is to be borne in mind. Mr. Calkins thus states it in his letter of May 12th, 1881: "The Thorn Wire Hedge Company claim that the Washburn & Moen Manufacturing Company, by refusing to reduce its royalties as agreed, and to license parties at seventy-five cents per hundred pounds, and by exacting from others a bonus in addition to the seventy-five cents, has violated the agreement of August 7th, 1879, and thereby released the Thorn Wire Hedge Company from its agreement to reduce royalties to the Washburn & Moen Manufacturing Company to fifteen cents" (184–185).

Taking a bonus from some of the licensees is charged as a breach of the agreement of August 7th, 1879, and as entitling the Thorn Wire Hedge Company to royalty at the rate of twenty-five cents per one hundred pounds. The agreement of settlement in question recites that the Thorn

Wire Hedge Company does "release and discharge the said Washburn & Moen Manufacturing Company from all claims or demands of every kind and nature whatever, which it has or can have against said company * * * * for and on account of any moneys which it has received by way of bonuses or premiums paid to it by parties receiving licenses from it, * * * * * * * * and does also release and discharge the said Washburn & Moen Manufacturing Company from any obligation to account to the Thorn Wire Hedge Company * * * for moneys which it shall hereafter receive for bonuses or premiums paid for licenses" (33–34).

Moreover, in the course of this same agreement of settlement, the agreement of August 7th, 1879, is twice referred to as a subsisting agreement. The first paragraph recites: "Whereas, there are certain agreements in writing *subsisting* between the parties above named, bearing date, respectively, July 3d, 1876, December 2d, 1878, and August 7th, 1879, to which reference may be had for all matters therein contained, etc." (33).

In the third paragraph of the agreement provision is made for a release by the Thorn Wire Hedge Company of royalties received from Jacob Haish, and it is recited: "Furthermore, in the execution of the *existing* agreements between the parties, bearing date July 3d, 1876, December 2d, 1878, and August 7th, 1879, before referred to, *providing for the payment of fifteen cents* by the Washburn & Moen Manufacturing Company to the Thorn Wire Hedge Company, as consideration for the Kelly patents, upon every one hundred pounds of barbed fence wire, etc., etc." (34).

The release of any and all claims of any kind whatsoever for bonuses or premiums theretofore received, or thereafter to be received, the recitals of the agreement of August 7th, 1879, as a subsisting and an existing agreement, and as providing for the payment of fifteen cents per 100 pounds

royalty, is utterly incompatible with the view that the claim theretofore made with respect to this matter was left unsettled. The previous accounts of the parties were not changed to a twenty-five cent basis, the subsequent accounts rendered from month to month were stated on the fifteen cent basis, were accepted as correct and receipts returned accordingly, and the matter was in every way treated as finally settled until *after* this suit was brought, the bill of complaint itself alleging that the agreement of August 7th, 1879, "remained in force between the parties thereto substantially as therein provided until June 12th, 1883, at which time there was a further modification, etc."

However, we need not fear to meet this question outside of the agreement of settlement. Mr. Calkins is alone in his claim, that this matter was in any respect left open. Our witnesses are all against him; and so is Mr. Stiles. The latter says, "I think it was the intention by that agreement to clear up all past matters of difference" (247). And again, "that was to settle all matters in controversy between us" (255).

The circumstances of the case are to the like effect. Why should Washburn & Moen leave this out? Mr. Calkins says it was considered and deliberately omitted. Appearances are against him. He gives as a reason for this, that there was some litigation between Washburn & Moen and their licensees (115). This is contrary to the fact. There was no such litigation, and none arose until long afterwards. Further, Mr. Calkins is contradicted by a letter written by himself at the time when the circumstances were fresh in his mind, and when he knew unquestionably of what he spoke.

There had been, as above stated, some trouble growing out of shipments of plain wire. The weights of wire actually received by the Thorn Wire Hedge Company did not correspond with the bills rendered by Washburn & Moen. Writing, with reference to this matter, on July 29th, 1881,

to Mr. Moen (Mr. Washburn then being at Chicago), Mr. Calkins, after reciting the circumstances of the case, concludes: "As soon as we hear from you we will arrange "settlements of our merchandise and royalty account, *as "we have settled with your Mr. Chas. Washburn in the "matters wherein the Washburn & Moen Company and "ourselves were at variance*" (215).

The companies had been in the habit of setting off merchandise and royalty against each other and making payment as the balance might appear; but, as we have shown the Thorn Wire Hedge Company refused to do this after the differences as to back damages, etc., developed, but now, these differences having been settled, if this wire shortage was disposed of, Mr. Calkins said he was ready to adjust accounts, and the correspondence immediately following shows that this was done.

Confronted with the letter of July 29th, he says that the clause quoted has no reference to the settlement of back damages, etc., but to the discrepancy in the merchandise. (117.) The settlement referred to in the letter as already made, and as a ground for disposing of the only thing standing in the way of an adjustment of their accounts, is said by Mr. Calkins to be the settlement still to be made. He is sure no reference is intended to the settlement of their disputes concerning the back damages, etc., for he says this letter was written on July 29th, while that settlement, although the papers are dated July 27th, was not consummated until August 1st, 1880. He knows this for two reasons. *First.* At that settlement his company received $10,000.00 in money. This is endorsed on his books August 2d, 1881, and could not have been received earlier than the day before. *Second. He made a memorandum at the time* on the back of one of the papers then received by him, as follows: "Our settlement with Washburn & Moen Company was August 1st, 1881, when they issued licenses and paid over $10,000.00 (117–118).

The settlement papers contradict this, and so do our witnesses, who all swear that they were not dated back, and indeed there was no occasion for that. But this is not all. We have Mr. Calkin's receipt for the $10,000.00, written throughout in his own hand, under date of July 28th, 1881, and in this he acknowledges the money to have been paid "as per agreement between the said Washburn & Moen "Manufacturing Company and the Thorn Wire Hedge "Company of the date of July 27th, 1881" (524).

We have also the original check by which this payment was made, a check drawn by I. L. Ellwood & Co., in favor of Washburn & Moen, and endorsed to the Thorn Wire Hedge Company. This is dated July 28th, 1881 (518).

Then we have the letter of the Thorn Wire Hedge Company, sending this check to DeKalb for payment, and this letter is written by Mr. Calkins, and dated July 29th, 1881 (519).

This would seem to dispose of the matter, but if any thing is yet wanting, it has been supplied by Mr. Calkins. In his testimony taken in rebuttal, he says that he has refreshed his recollection as to the date of the settlement, by reference to the bill rendered his company by Judge Trumbull (227). This bill he produced, and its last entry is: "July 29th, legal services in connection with settlements made with Washburn & Moen, completed July 28th," and thus corroborates the testimony we introduced, and completely overthrows the claim of Mr. Calkins that the settlement was not made until August 1st. It leaves his testimony in chief in need of some explanation. The entry in his books with respect to the receipt of the $10,000, as of date August 1st, 1881, may be explained by the fact that it was not made until cash returns were received from the check, and this may not have been until August 1st. The memorandum on the papers, however, *made at the time*, asserting that the settlement was made August 1st, is a mystery which is in nowise cleared up.

This claim, thus clearly shown to have been settled, was ever after treated by Mr. Calkins himself as entirely disposed of. For years thereafter he, for a time as secretary, and later as president of the Thorn Wire Hedge Company, had regular business dealings, monthly settlements of accounts, and constant correspondence with Washburn & Moen, and never alluded to it. The books of account and company records kept by himself show no trace of it.

Changed circumstances brought about change of relations between the parties, and new rights were created and new obligations were assumed under conditions that we are justified in saying would have compelled a waiver of this claim had it then been brought forward. In June, 1883, the Federal Courts of Iowa and Missouri held invalid, for improper expansion of the claims, the Kelly re-issue patent 6,902, which had been secured in the interest of the Thorn Wire Hedge Company, and the Glidden re-issue patent 6,918, 16 F. R. 661. This threw open to the public, throughout the Eighth Circuit, the free use of these inventions, in the manufacture and sale of barbed wire; and it was certain, in view of the position then held by this court toward re-issue patents, that this decision, adverse to these patents, would be followed in other circuits. The Washburn & Moen Company had the right to throw the patents back to the Thorn Wire Hedge Company, but they did not do so. They made a new agreement, and on account of this patent, useless to restrain persons then operating without a license, they agreed to pay five cents per hundred pounds royalty, at the same time reducing royalty to their licensees. After this time they paid $122,000 in royalties to the Thorn Wire Hedge Company. During all this time that company was silent. It waited until the term of the Kelly patents expired, until the last dollar of revenue thereunder was received, and then, and not until then, its people bethought themselves and spoke of the past. Then they set about to see what claims

could be resurrected and galvanized into some semblance of vitality. Under the circumstances the claim, if it ever had any merits, would be condemned by its very staleness. But merit it never had. The contract of August 7th, 1879, was performed by Washburn & Moen to the perfect satisfaction and in the interest of the Thorn Wire Hedge Company. It was brought forward originally to help out something else, was disposed of with that to which it was the mere incident, and is brought forward for a last time when there remains nothing to lose, and may, therefore, be something to gain. Its renewal at this time is offensive to the sense of fair dealing among men, and in a court which sits to administer law in a spirit of equity, it will, we are sure, meet with no approval.

Haish Settlement Claims.

The principal controversy in this case concerns royalties not collected from licensees by Washburn & Moen, and which the licensees refused to pay because of the settlement or agreement made by Washburn & Moen with Jacob Haish on July 26th, 1881.

The licensees were all, under the provisions of the licenses, which were uniform, entitled to the same rate of royalty. It was contended by some of them, and the contention was sustained by the Supreme Court of Illinois, that the agreement of settlement with Jacob Haish in effect gave him a free license for four thousand tons annually, and a license at fifty cents per hundred pounds for four thousand tons more. As a consequence of this construction of the Haish settlement, the Washburn & Moen Company was unable and failed to collect royalty from some of their licensees until new arrangements were made with them, and what are herein designated as the Haish settlement claims are the claims of the Thorn Wire Hedge Company for its proportion of the royalties made uncollectible or released by the Haish settlement.

We propose to show that throughout this entire matter, from beginning to end, and in every detail, the Washburn & Moen Company acted with the knowledge, consent and approval of the Thorn Wire Hedge Company.

The contracts between the parties hereto did not bind the defendant to pay royalty on all barbed wire which it made and sold, and licensed to be made and sold. It was the intention that the complainant should share in the risks incident to the business.

The first contract, that of July 3d, 1876, provides that Washburn & Moen shall pay royalty to the Thorn Wire Hedge Company only on the barbed wire which they or their licensees have sold *and received pay for*.

The contingency that licensees might receive pay for their wire, and still not pay royalty to Washburn & Moen, was perhaps overlooked; at any rate, it was not specifically provided for.

The contract of December 2d, 1878, was made in contemplation of licenses being granted to four parties named, viz.: Jacob Haish, H. B. Scutt & Company, Ayers & Decker, and the Ohio Steel Barb Fence Company. The obligation of Washburn & Moen, with respect to royalties on wire made by licensees, was in this contract more definitely stated:

> The party of the first part hereby covenants and agrees that it will make monthly reports of the amount of wire reported as sold by each of its licensees, said report to be on or before the fifteenth of each and every month, and to embrace the report of the sales of the licensees made during the previous month, or any month not previously reported, and that it will pay over to the party of the second part, or its legal representatives, the money that it collects of said licensees that is to be paid to the party of the second part hereto, quarterly; that is to say, on or before the last day of each January, April, July and October, *it will pay the party of the second part such proportion of the money that it has received from licensees during the previous quarter as royalties, as one-fourth of a cent per pound is to the entire amount per pound which said licensees agree to pay as royalty*. And the said party of the second part hereby agrees to waive, and *does hereby relinquish, any and all claim on the said first party for royalties on barbed wire made by its licensees, which it may so fail to collect*

after using diligence and lawful means to collect the same, but in that case the party of the first part shall make report to the party of the second part of all such royalties as it shall fail to collect, and from whom due, and the cause of such failure to collect; *and the first party agrees to make each of its licensees agree to pay it, for the second party one quarter of a cent on a pound on all the barbed wire it makes and sells during the term of the Kelly patent, and to use its best endeavors to collect the same.*

This contract, except that there was a reduction in the rate of royalty, remained in force until June 12th, 1883.

Omitting the details as to the time and mode of making reports and payments, the requirements of this contract are that the Washburn & Moen Company (I) will make each of its licensees agree to pay it for the Thorn Wire Hedge Company the royalty to which it is entitled; (II), will use due diligence and lawful means to collect this royalty; and (III), will pay what it thus collects to the Thorn Wire Hedge Company.

The claim made as to this branch of the case is that the defendant did not, by its contracts with its licensees, bind them to the payment of the royalty due to complainant.

The licenses, most of which were granted in January and February, 1881, required the licensees to pay royalty to the defendant at the rate of 75 cents per 100 pounds. This included the royalty payable to the complainant. It is true, there was not a specific covenant to pay 15 cents per 100 pounds for the benefit of the Thorn Wire Hedge Company, but that was not deemed to be necessary by any of the parties concerned. There was a provision in each of the licenses to the effect that when the royalties being paid by the licensor to Glidden under the Glidden patents, and to the Thorn Wire Hedge Company under the Kelly patents, should abate or expire, the same abatement or reduction of royalty would be made to the licensee. The stipulated royalty of 75 cents per 100 pounds manifestly then was inclusive of the 15 cents per 100 pounds payable to the complainant.

The form of the license contract was approved by the complainant in advance. After the decisions were rendered at Chicago, in December, 1880, and before a single license was granted, a copy of the form prepared by Washburn & Moen's counsel was submitted to Mr. Stiles, as president of the Thorn Wire Hedge Company, for consideration, and on December 29th he wrote respecting it to the president of the Washburn & Moen Mfg. Company, saying: "I have examined carefully the license prepared by Mr. Dodge. I think the form an excellent one. Hope it may be adopted" (522). And not until long after the Kelly patent had expired, that is, on November 9th, 1886, was any objection made by the complainant to the form of the license. On the date named it wrote: "Again, by your contracts with your licensees, have you not entered into such agreements with your licensees which has had the effect to practically debar you from making collection of royalties, etc., etc." (232).

The agreement with the licensees referred to in this letter was the tenth clause of the license contract. It appeared in every license issued by the defendant, and is as follows in the license to the Chicago Galvanized Wire Fence Company:

Tenth. Said Washburn & Moen Manufacturing Company agrees that in case said Chicago Galvanized Wire Fence Company shall well and truly comply in good faith with all the terms and conditions of this license, that as soon as the royalty which said Washburn & Moen Manufacturing Company is now paying to the Thorn Wire Hedge Company under the Kelly patents, and to Joseph F. Glidden under the Glidden patents, shall abate or expire, the same abatement and reduction of royalty shall be made to the said Chicago Galvanized Wire Fence Company, and hereafter any abatement or reduction of royalties to said Washburn & Moen Manufacturing Company, under the said Kelly and Glidden patents, or either of them, shall, under the circumstances stated, be in like manner a reduction in royalty to said Chicago Galvanized Wire Fence Company, to that extent, under this license, and *the royalty to be paid under this license shall not be greater than that charged to any other party licensed after the first day of January, A. D. 1881, under the said several letters patent, or any of them, hereinbefore mentioned by date and number, by said Washburn & Moen Manufacturing Company; that is, if said Washburn*

& Moen Manufacturing Company shall hereafter conclude to and does license any other party, or parties, during the continuance of this license, to manufacture and sell barbed fence wire in the United States and territories, and this license is confined to the United States and territories, under said letters patent, or any of them, hereinbefore mentioned by date and number, at a less sum per pound than three-fourths (¾) of a cent, then and thereafter the royalty to be paid by said Chicago Galvanized Wire Fence Company to said Washburn & Moen Manufacturing Company, under this license, shall be the same as such reduced royalty (363).

The claim made by the licensees, that because of the Haish settlement they were released from payment of royalty, was based on that portion of the tenth clause of the license which we have italicized.

As we have already shown, Mr. Stiles was fully informed as to this feature of the license, and while Mr. Calkins is disposed to disclaim knowledge of it, we must take his disclaimer *cum grano salis*.

Throughout his testimony he is disposed to quibble. He was evidently of opinion that he could disclaim knowledge of a fact as an officer of the Thorn Wire Hedge Company, unless he was informed of that fact by writing, addressed to him by his official designation. He had opportunity to know all about the licenses. He was about when they were granted. They were not, and could not be, kept secret. His own company applied for one in February, 1881. The testimony of Mr. Washburn, Mr. Millington, Mr. Coburn, Mr. Ellwood, Mr. Baker and Mr. Dillon, is that the licenses were in a printed form, and whoever made application for a license was given a form to examine. He and Mr. Stiles were granted a license on July 27th, 1881. But it is needless to accumulate evidences of his knowledge, for there is one conclusive circumstance, and that is, that the very clause of the license in question was considered by him in connection with the Haish settlement before that settlement was consummated (323).

But the tenth clause of the license, without something more, could not have the effect to release any licensee from the payment of royalty.

The something more is furnished by the settlement made with Jacob Haish, on July 26th, 1881.

After the decisions sustaining the patents in December, 1880, most of the outside manufacturers made applications for and were granted licenses. This was done during January and February of 1881. But Jacob Haish, who was one of the defendants in the decided cases, was an exception. He stood out resolutely.

The court, while holding that the patents were valid, and that they had been infringed by him, would not enjoin him from further manufacturing, but suspended the injunction pending an appeal. The court refused also to limit his output, or to restrict him in anywise as to his prices. He was simply held to pay royalty into court, and was otherwise left free. Mr. Haish was, as the testimony shows, one of the pioneers in the business, and had a very large factory. He had been from the beginning a stubborn litigant. He owned patents both on barbed wire and barbed wire machinery, which, for their intrinsic merit as well as for their place in the art, were believed to be of considerable value in themselves, and which were of undoubted potency for harm to Washburn & Moen, their associates and licensees. All those things, taken together, gave him great prestige, and made him a formidable foe.

In itself, the right of manufacture which the court allowed him, without limit as to amount or price, would seriously impair the ability of the licensees to do business on terms that would admit of the payment of royalty. The Thorn Wire Hedge Company, I. L. Ellwood & Co. and Washburn & Moen were already in the field, free to make and sell all the barbed wire they could, and there was danger here of overdoing things. Haish besides would be not only a competitor but an enemy, and not a very gentle one at that.

He had weapons of offense, and had begun their use. He controlled the Stevens inventions and patents covering barbed wire machinery. Stevens and Putnam had been in

interference in the patent office, where, after a close and prolonged contest, the issues were finally decided by the commissioner in Putnam's favor.

Stevens, however, had begun proceedings in the courts under section 4915, R. S., and a favorable decision to him there would be fatal to the Washburn & Moen Company and its license system. Furthermore, it was not questioned that Stevens was entitled to claim valuable improvements in barbed wire machinery, features not involved in the interference, and which were subsequently patented to him, and which the Washburn & Moen Company and its licensees infringed. Washburn & Moen and their licensees must either pay tribute to Haish or remodel their machines to a less efficient form.

Haish also had a patent on barbed wire, covering the feature of passing the barb between the strands of the main wire and around them both. This feature, or some modification of it, was employed by licensees whose tonnage was in the aggregate about 30,000 tons annually, or three-fifths of the licensed tonnage. It is true, the Haish patent was subordinate to the Hunt, Kelly and Glidden, but it was not for that reason invalid, nor was it any the less infringed.

The royalty to licensees stood at fifteen dollars per ton. The temptation to infringement was strong, and there was encouragement to it when a man, situated as Haish was, stood out asserting an utter disregard of the Washburn & Moen patents.

Then, too, the licensees who had until so recently been infringers and litigants were restive under threats made by Haish that he would sue them for infringements of his patents. Subjected thus to a cross-fire of demands—for royalty on the one side and damages on the other—they might conclude that their best chance lay outside of all the patents, as they had not escaped danger by coming within protection of some of them.

The licensees were authorized to make at this time 50,000 tons annually. The royalty on this would amount to seven hundred and fifty thousand dollars. The share of the Thorn Wire Hedge Company was one-fifth of this, or one hundred and fifty thousand dollars.

To maintain the system which yielded such princely revenues was now the paramount object of concern with Glidden, with Ellwood, with the Thorn Wire Hedge Company, and with the Washburn & Moen Manufacturing Company. And of these the Thorn Wire Hedge Company was most concerned, for its patent was shortest lived of all those upon which the license system was based. Kennedy and Putnam we leave henceforth out of view, for the fixed sum to which they were limited was soon reached.

The legal title to the patents was held by the Washburn & Moen Company and by I. L. Ellwood; but they were not the absolute owners. The Thorn Wire Hedge Company and J. F. Glidden were, in effect, partners, their interests differing in degree, but being absolutely identical in kind.

As to Glidden and the Thorn Wire Hedge Company, the Washburn & Moen Company was, so to speak, the managing partner. It was its duty and its interest to make the most of these properties, and when we consider that the Thorn Wire Hedge Company has received nearly three-quarters of a million dollars in cash, and in addition whatever advantage there was in a free and unlimited use of its own patent, it cannot be said that the Washburn & Moen Company has not done its duty fairly well.

The properties involved were not of a stable character, nor did their value admit of precise measurement. They were constantly assailed and in danger of being declared the common right of everybody. They were in constant peril of decisions like that in Missouri, which held invalid the Kelly and Glidden re-issues, and like that in Iowa, which later held invalid the unre-issued patent, the same patent which was subsequently sustained in this court.

It was essential to the purpose of those interested in the patents that their validity should be generally acquiesced in, for all litigation, although successful in its termination, was necessarily very demoralizing to the business during its continuance.

After the patents were sustained and licenses were issued, it was important that nothing should interfere with either the willingness or the ability of the licensees to pay royalty. Whether they would continue to exercise the privileges conferred by the licenses depended upon the licensees themselves. They might stop manufacturing altogether, or they might resort to what was called moonshining. If the stipulations of the licenses stood in the way, they might easily be evaded. New companies might be incorporated, in which the substantial identity of interest with the persons concerned in the licensee company could be covered up. This very course was afterwards pursued. Mr. Calkins was clearly of opinion that this might be done, for he is very sure that while he was secretary of the Thorn Wire Hedge Company, and Mr. Stiles was its president, and they together held a majority of its stock, the firm of Stiles & Calkins, composed of himself and Mr. Stiles, were quite distinct from the company, and that the two concerns were in nowise liable for each others acts and contracts (125).

The refusal of Haish to take a license on the terms accepted by the other manufacturers created a grave emergency, Washburn & Moen thought the best way out was to compromise. They could not compromise on their own terms, but must consider the demands of Mr. Haish. Several efforts to settle came to naught. On June 29th, Haish made a definite proposition (694–695). It was (1) a release from back damages; (2) each party to pay his own costs; (3) a license for ten thousand tons annually; (4) the assignment of his patents to Washburn & Moen; (5) Washburn & Moen to pay him, for these patents, $10,000

in cash, and seventy-five cents per hundred pounds on all barbed wire made by himself, up to four thousand tons annually, and twenty-five cents per hundred pounds on the next four thousand tons annually made by him.

Washburn & Moen thought it better to settle on these terms than not settle at all. It is not necessary to argue that they made the best bargain they could. If they released back damages to Haish, it was not from pleasure, but from necessity. If they allowed him a large tonnage under his license, it was because he would not be content with less. If they paid him a good sum for his patents, it was because that was the least he would take.

Ellwood, Glidden and the Thorn Wire Hedge people entertained the same views that Washburn & Moen did, as to the desirability and necessity of settling with Haish.

It is true, that now Mr. Calkins expresses great indifference as to Mr. Haish. He says (110):

"I was not desirous of having a settlement made. * * * "We knew no more about Mr. Haish than about any other "would-be licensee of Washburn & Moen" (110). This is not entirely accurate. Mr. Calkins well knew how long and how bitterly Mr. Haish had fought these patents. Provision was made for settling with him in 1878. He was to be forgiven all back damages then, nevertheless he would not come into the fold. He claimed and asserted an interest in the Kelly patent; he made large pretensions on behalf of patents that he undoubtedly owned; he had a large factory, and both as an opponent in the courts, and as a competitor in the markets, he was not a foe to be despised. He lived and operated at DeKalb, in what may be called in Mr. Calkins' immediate neighborhood; and Mr. Calkins, who for years had been looking after the buying and selling of the Thorn Wire Hedge Company, could not help but know all there was to be known about him.

On another day he told quite another story. In the summer of 1882 he was examined as a witness in the Chi-

cago Galvanized Wire Fence Company case, with respect to this very matter. Later he was examined in like cases by the Baker Manufacturing Company and the Ohio Steel Barb Fence Company. These occasions were nearer the date of the transactions he narrated, and his story nearer the truth. Then he said:

Ques. Can you explain to the court why you were interested in the purchase of the Haish patent?

Ans. The matter was brought to us as a royalty receiving company. That there were thirty or forty licensees, who were licensed under the barbed wire patents, which were designed to include machinery and everything for manufacturing barbed wire, and that Mr. Haish owned certain patents, of an early date, on machinery which might, and, in fact, I thought some suit had already commenced to bother our licensees; and it was thought best to buy those patents of Mr. Haish, if possible, to save litigation with our licensees, and also to bring in, as of interest to us, as we were receiving royalties, to bring them all in. We were mutually interested with Washburn & Moen to have those patents in, and that we were to pay for them, which we did (110).

Ques. Did you have any interviews with the Washburn & Moen Manufacturing Company, or any of its officers, with reference to your mutual interest in the purchase of the Haish patents, and the value the patents would be to you and them, under the then existing amount of income being derived from their barbed wire patents?

Ans. The Thorn Wire Hedge Company had been, on account of the litigation which had existed for five years, kept out of a large portion of royalties that they had expected to receive, and Mr. Washburn, about the time or before the time of the Haish settlement, spoke to our Mr. Stiles about the importance of our contributing something towards buying the Haish patent and machinery, stating as a reason that the Haish machines covered a large portion of the barbed wire made by our licensees, by reason of using an infringing machine, and they thought that we should start in with them and pay a portion of the cost of purchasing this patent, if, indeed, it could be bought. Subsequently they made us a proposition, that we should remit or pay for the purchase of the patent of Haish that proportion of its cost as our royalties would come to at fifteen cents per one hundred pounds on 4,000 tons per annum, and some other considerations, *as per a certain proposed contract, which they had then drawn up, but not signed, and were waiting for our consent. We opposed it for two or three days, until Mr. Stiles, who was the president at that time, and myself concluded that in a business point of view it was as much to our interest as Mr. Washburn's, and, in a business point of view, would bring in more royalty to us by protecting our agents on machinery as well as barbed wire patents, and we, therefore, consented to it* (111).

There was much more of his testimony in those cases of the same sort. He then spoke as one who had acted in intelligent concert with Mr. Washburn and Mr. Ellwood, as participating with them in a matter of common interest. In his testimony in that case he referred to the licensees as "our licensees," and explained this by saying, "I am so identified with that part of the company (Washburn & Moen) that I say 'we' and 'our' ". Further, he said, "we regarded our interests identical with Washburn & Moen's" (112). Then the Kelly patent had not yet expired, then the contract of his company with the Washburn & Moen Company was still in force, then there was something yet to be had from acquiescence in the acts of the Washburn & Moen Company. Now the situation has changed, now the Kelly patent is dead, now the contract with the Washburn & Moen Company has run its term, now there remains nothing to be gotten, except by complaint and criticism of what has been done. Fortunately, however, the truth of the case does not change with the changing interests of the parties.

Mr. Stiles is more candid as to his part in this matter. He says he tried to secure a settlement with Haish, and believed it to be in the interest of the general business (245).

He thought it would be a bad thing for them if Haish refused to take a license and continued his litigation as to the validity of the patents. He knew that Haish owned patents which he claimed to be valuable and to be infringed, if not by Washburn & Moen, at least by their licensees. He had known Haish long, and believed him to be insane. Haish was a hard man to settle with, but, situated as he was, he thought it best to get him out of the way. There had been talk of the effect of Haish's asserting his claims under his patents against the licensees. The licensees did not want to pay any more than they could help, and would take advantage of the Haish matter as an excuse for not paying. *He was willing, on the part of the Thorn Wire*

Hedge Company, to have any concessions made to Haish that would be assented to all around, and settle everything up (249, 250).

Thus all concerned were agreed that Haish must be settled with.

As to the terms of settlement: Mr. Ellwood says that after he got the proposition of June 29th, and before the settlement was closed, he consulted Mr. Stiles about it (689). Mr. Stiles admits that he was so consulted (256). The testimony of Mr. W. Calkins in the case of the Chicago Galvanized Wire Company, which is quoted above, and the testimony of G. G. Calkins in this case (321), show that the subject was thoroughly discussed by the officers and directors of the Thorn Wire Hedge Company.

The settlement proposed by Haish was such that the Washburn & Moen Company would not dream of carrying out wholly on their own account.

The settlement was consummated July 26th, 1881. Haish accepted a license, in the regular form, for ten thousand tons annually, and at the stipulated royalty of seventy-five cents per one hundred pounds. He also transferred his patents. On the other hand, the Washburn & Moen Company paid him $10,000.00 cash, released all claims for back damages, and entered into an agreement which first recited:

1. The grant of licenses by Washburn & Moen to their various licensees.

2. The claim of Jacob Haish that patents held by him were infringed by licensees of Washburn & Moen.

3. That, for the better protection of these licensees, it was desirable that Washburn & Moen should secure the patents owned by Haish.

4. That Haish, by agreement of even date, had transferred these patents to Washburn & Moen, and released all claims for infringement by Washburn & Moen and their licensees.

5. That Haish had accepted a license from Washburn & Moen for ten thousand tons annually, at a royalty of seventy-five cents per hundred pounds.

It then proceeds:

Now, therefore, in consideration of the premises, the said Washburn & Moen Manufacturing Company, for itself and its successors, does

covenant and agree to and with the said Jacob Haish, his executors and administrators, that it will manufacture, or cause to be manufactured, by itself or its licensees, the quantity of eight thousand tons of barbed wire in each and every year during the continuance of its obligations under this agreement; the first year commencing on the day and date hereof, and that it will pay to the said Jacob Haish, his executors or administrators, until the 27th day of February, A. D. 1894, the sum of seventy-five cents for every one hundred pounds of barbed fence wire manufactured by it or its licensees, upon a quantity not exceeding four thousand tons in any one year; and a further sum of twenty-five cents for every one hundred pounds of barbed fence wire manufactured by it or its licensees, beyond the first above mentioned quantity of four thousand tons, but not exceeding the further quantity of four thousand tons in the same year.

Provided, always, and it is mutually understood and agreed, that the said Washburn & Moen Manufacturing Company shall not be bound in the performance of its covenants above made to pay, as consideration money for the transfer and conveyance of the letters patent and rights to letters patent above mentioned, and the release of claims for infringement against its licensees, the sums respectively of seventy-five cents, and twenty-five cents per hundred pounds, covenanted by it to be paid on the two quantities respectively, of four thousand tons each of barbed fence wire manufactured by it or its licensees, unless there shall have been first paid to the Washburn & Moen Manufacturing Company, by the said Jacob Haish, or his legal representatives, the royalty or license fee of seventy-five cents per hundred pounds upon as many pounds of barbed fence wire manufactured under the said license granted to and accepted by him as he or they shall demand payment to be made for to him or them, under this agreement.

And provided further, that the sums of money which, under this agreement, shall from time to time become due to the said Jacob Haish, shall be payable to him, or to his legal representatives, on the payment, or tender of payment, by him, or his legal representatives, to the Washburn & Moen Manufacturing Company, or its successors, of the royalty or license fee which has accrued to it for the manufacture of barbed fence wire under said license to Jacob Haish for the same period (366, 367 *et seq.*).

This agreement, it was afterwards held, coupled with the license to Haish, gave him, in practical effect, a free license for four thousand tons annually, and a license for four thousand tons more, at fifty cents per 100 pounds, and entitled the other licensees to like terms.

Without regard to the effect upon the license contracts, the special features of the Haish settlement were, (I),

paying him $10,000 in cash; (II), releasing all claims for back damages; and (III), in effect getting no royalty from him on a manufacture of four thousand tons annually. The patents secured by the settlement would inure to the benefit of all the patent owners, and the burdens of the settlement ought, therefore, to be borne in the ratio of the benefits received.

The Washburn & Moen Company declined to carry out the Haish settlement on its own account and responsibility. I. L. Ellwood had as great an interest in it, and everything to be covered by it, as had the company. The Thorn Wire Hedge Company had an interest almost as great, and so had J. F. Glidden. Ellwood was consulted at every step, and was the moving spirit in the matter. All these parties assented to the proposed settlement in formal writings. The paper executed by the Thorn Wire Hedge Company was as follows:

In consideration of the sum of one dollar and other valuable considerations to it paid, the Thorn Wire Hedge Company, a corporation duly organized under the laws of the State of Illinois, and located at the city of Chicago, in said State, does authorize the Washburn & Moen Manufacturing Company and Isaac L. Ellwood to make settlement with Jacob Haish, of DeKalb, Illinois, for his past infringement of the letters patent for barbed fence wire and machinery for making the same, owned by the Washburn & Moen Manufacturing Company, or by said company and Isaac L. Ellwood, and to grant to the said Haish a license to manufacture and sell annually ten thousand tons of barbed fence wire under said patents, as provided in a proposed agreement between the Washburn & Moen Manufacturing Company and the said Jacob Haish, and assented to by Isaac L. Ellwood (copies of which proposed agreement and license being hereto attached), and does release the said Washburn & Moen Manufacturing Company from all obligations under its agreements with the said Thorn Wire Hedge Company, dated respectively July 3d, 1876, December 2d, 1878, and August 7th, 1879, to account for any proportion of the moneys received from the said Jacob Haish, whether in settlement of past infringements or for royalties hereafter paid under the said license, which may be required to be expended or remitted in the settlement with said Jacob Haish, or in payment of the consideration money for the transfer and conveyance of all the patents, rights to letters patent, and inventions which are, or shall be, conveyed by the said Haish to the said Washburn & Moen Manufacturing Company and Isaac L. Ellwood, as provided in said proposed agreement.

In witness whereof, the said The Thorn Wire Hedge Company has signed this instrument and affixed its corporate seal this 27th day of July, A. D. 1881.

[Seal.] THE THORN WIRE HEDGE COMPANY,
By AARON K. STILES, *President.*

(215–216.)

At this time also the settlement of back damages, etc., was pending between the parties. In the agreement consummating this settlement the Haish matter was referred to as follows, viz:

Furthermore, in the execution of the existing agreements between the parties, bearing the dates July 3d, 1876, December 2d, 1878, and August 7th, 1879, before referred to, providing for the payment of fifteen cents by the Washburn & Moen Manufacturing Company to the Thorn Wire Hedge Company, as consideration money for the Kelly patents, upon every one hundred pounds of barbed fence wire manufactured and sold by it, or its licensees, or by its authority, the said, The Thorn Wire Hedge Company, does release and surrender any claim against the Washburn & Moen Manufacturing Company for any share in or proportion of the license fees or royalties which it shall receive from Jacob Haish, under the agreement between the Washburn & Moen Manufacturing Company and the said Jacob Haish (a copy which has been furnished to the Thorn Wire Hedge Company), which shall be required, under said agreement, to be applied by the Washburn & Moen Manufacturing Company, or used in the payment of any consideration for the purchase from said Haish of certain patent properties, and the release of claims for infringements against licensees under said agreement (213, 214).

Nor is this all. On August 1st, when everything had been consummated, when copies of all papers were in possession of the Thorn Wire Hedge Company, the president and secretary of the company made a formal report to the directors, saying:

We have also executed in the name of the company an agreement with the said Washburn & Moen Manufacturing Company, in regard to settlement with Haish, agreeing to the conditions of their contract with Jacob Haish, and of their license to him, copies of duplicates of which are herewith submitted, as follows:

* * * * * * * * * * *

Agreement between same parties, in reference to settlement with Haish, to which attached a copy of the agreement between the Washburn & Moen Manufacturing Company and Jacob Haish, and copy of license to Jacob Haish.

This report was approved by the company.

So then it appears, beyond the shadow of question, that the Thorn Wire Hedge Company desired that Haish be settled with, knew the proposed terms of settlement in advance, considered them deliberately, approved of them, agreed to share in the burdens entailed, by its officers executed a writing authorizing the settlement, these officers having copies of the papers before them, and, finally, that the action of these officers was ratified and approved by the directors of the company.

But it is now said by the Thorn Wire Hedge people that by agreeing to the Haish settlement they agreed only to release the royalties otherwise due from Haish, and that they never intended to release other licensees from their obligation to pay royalty.

Neither did the Washburn & Moen Company intend to release any other licensees, but yet such, it was afterwards decided, was the legal effect of the settlement with Haish. The precise thing done by the Washburn & Moen Company was authorized in advance, was contemporaneously approved, and subsequently ratified by the Thorn Wire Hedge Company.

The Thorn Wire Hedge Company understood the form of the license contracts. They had knowledge of the tenth clause, as indeed had all the parties interested. Nor did they, any of them, overlook the possible effect of the Haish settlement upon these contracts. It was at one time proposed that the consent of the licensees be procured in advance, but upon mature consideration this was held to be unnecessary, and as delay might prevent settlement with Haish, it was determined to go in regardless of the licensees. This was, perhaps, a mistake of judgment. In the light of subsequent events it must be so viewed. But it was a mistake in which the Thorn Wire Hedge Company participated.

Mr. Gary G. Calkins was a director of the company during this period; he was called as a witness for complainant

in this case. He knew, in July, 1881, that negotiations were pending between the Washburn & Moen Company and the Thorn Wire Hedge Company respecting the Haish matter. This was a subject of a great deal of interest to him at the time, and there had been some talk and conference about it. It was an important matter, and was fully considered by the board. There were perhaps a number of meetings (321). When Mr. Stiles came before the board he told them that he had legal counsel, which satisfied him that the royalty from the licensees would not be affected by the settlement with Haish. Mr. Stiles had consulted either Mr. Coburn or Judge Trumbull, or both of them. At any rate, Stiles had fully satisfied himself and satisfied the board that the settlement would have no effect of the kind suggested (323).

Mr. Stiles says he had quite a talk with Coburn about this (256). And he was himself of opinion, too, that the objections suggested were not well taken. He did not ask the Washburn & Moen Company to get the consent of the licensees before the settlement was closed, because he supposed it was a settlement they had a right to make, and that it would not affect the contracts with the licensees (273). It may be said his opinion was formed by the advice of Mr. Coburn, and that Mr. Coburn was the attorney of the Washburn & Moen Company, but that it is nothing to the purpose. The interest of the parties in this matter was not antagonistic, but identical. Good faith on the part of Mr. Coburn to his own client was good faith to the Thorn Wire Hedge Company. Mr. Stiles knew this, and he had confidence in Mr. Coburn's character and capacity. Mr. Coburn had been the attorney of the Thorn Wire Hedge Company in its negotiations with the Washburn & Moen Company, and had very naturally passed into the employ of the latter company when litigation involving the patents was begun.

During all that litigation Mr. Stiles was in constant and confidential relations with him (703), and, with that litigation conducted to a successful conclusion, it was natural that he should have confidence in Mr. Coburn, and consult him and accept his advice in a matter where he knew the interests of the Washburh & Moen Company and of the Thorn Wire Hedge Company to be in harmony. He was free, if he chose, to consult other counsel. He had counsel of his own at that very time, viz.: Judge Trumbull, and must have consulted him somewhat respecting this matter, for it is embodied in the agreement of compromise, concluded on July 27th, which confessedly passed under Judge Trumbull's inspection. But he may well have been satisfied when he found that Messrs. Coburn, Thurston & Dodge were all agreed that the plan of settlement they proposed was a safe one; and as he was free to act independently of their judgment, and was under no constraint of any kind, he cannot now say these lawyers were all wrong, and, not being his lawyers, he will not share the consequences.

The men representing several interests conferred together. They were all intelligent and experienced business men, and they were animated by a common purpose. The interest of one was the interest of all. If Haish could be safely treated as of no consequence, they were all alike interested to know it. If Haish must be settled with, all were alike interested to do it on the best possible terms. How they should share any expense or loss was of easy solution. It was in proportion to the amount of royalty they were receiving. These men all agreed as to what should be done, and how to do it, and that man of them who now shirks his full share of the responsibility for what was done, does not thereby commend himself to favorable consideration in a court of conscience. If he did not then intelligently consider the situation, if his consent was not the expression of an enlightened judgment, instead of now asking to hold the

others responsible for unexpected and untoward consequences, he should be held accountable to them, for he wronged them, and not they him.

So the Thorn Wire Hedge people approved the settlement *in toto*. They authorized and approved it without restriction, either as to substance or form. They authorized and approved what the courts have said was, in effect, a free license to Haish for four thousand tons annually, and they did so under conditions of which they had knowledge, which the courts have said entitled the licensees to like favorable terms.

We were bound, by our contracts, to require the licensees to pay royalty on account of the Kelly patents. We had done so. Then we did what was, in effect, to release the licensees from that obligation. The Thorn Wire Hedge Company authorized us to do so. It cannot now complain of us for so doing. We have not violated our contracts, because we acted by its authority and with their approval.

An argument is made, the relevancy of which is not quite apparent. It is said we are bound by the very terms of our agreement with Haish, and cannot contradict its written terms by parol evidence of an intent different from those terms. Nothing of this kind is sought to be done here. It was never pretended, by any one, that there was any parol understanding with Mr. Haish, or that the writings executed did not express the whole of the agreement.

The contention of complainant, and the finding of the court in the Chicago Galvanized Wire Fence Company case, was not that the agreement between Washburn & Moen and Haish was anything different from that expressed by the license to him and the agreement for the purchase of his patents, but it was that, in legal effect, these two agreements were not independent, but related and constituted in fact but one agreement, and, so construed, gave Haish a license to manufacture four thousand tons annually free of royalty, and four thousand other tons annually at fifty

cents per hundred pounds. It matters not what led the court to this conclusion, so long as it was not some secret understanding with Haish, not expressed in the writings and not known to the Thorn Wire Hedge Company.

Certain terms were substantially agreed upon between Washburn & Moen and Jacob Haish. It was sought to state these terms in such form that the license to Haish, and the agreement for the transfer of patents from Haish to Washburn & Moen, would stand as distinct and independent transactions. The courts have held that the endeavor to do this was a futile one, and that the mere form in which the transaction was expressed could not be permitted to override its substance and effect to the detriment of the licensees.

There was no question as to what terms had in fact been granted to Haish, but only as to their legal effect. The courts said, contrary to the claim of the Washburn & Moen Company, that the terms of this settlement, as evidenced by the agreements in writing, constituted a free license for four thousand tons per annum (739, 740). What was in fact done, the circumstances under which it was done, the reason for doing it, and the very manner in which it was done, were all known to, assented to, and authorized by, the Thorn Wire Hedge Company. Participating in the transaction as it did, there is nothing it can complain of. The licensees might complain that the Washburn & Moen Company insisted upon a form and construction of the Haish agreement which was contrary to its legal effect, but the law governing the transaction was not the will of any of the parties concerned in it. That was something which no one of them could control. It was for the courts to declare, and the courts declared contrary to the views of the Washburn & Moen Company and the others participating in making the settlement with Haish. In no aspect in which the transaction can be viewed can there be found any element of wrong, or any circumstance of unfair deal-

ing, on the part of Washburn & Moen toward the Thorn Wire Hedge Company.

The result of carrying out the arrangement with Haish was to allow him to manufacture four thousand tons annually without paying royalty, and four thousand tons more by paying fifty cents per hundred pounds. This was obvious to everybody. Why, then, it may be asked, was it not recognized, by all concerned, to be a free license to Haish for four thousand tons, and a license for four thousand tons at a reduced royalty?

In settling with Haish, a basis of compromise had to be reached. We may assume that the terms agreed upon were the best that could be gotten. The question was then to be determined whether these terms could be conceded without abating the royalties to the licensees. The Washburn & Moen Company were advised that the settlement with Haish involved two things that were quite distinct, viz.: The license, and the purchase of his patents.

It was argued, no doubt, that they had a perfect right to license anybody, provided it was done on the regular terms, and they had a perfect right to buy patents, and pay for them, as they pleased. What difference, then, could it make that they granted a license to, and purchased patents from, one and the same man, that it was done at one and the same time, and that the considerations of the two agreements did, or under certain conditions might, balance each other?

It may be, as the courts have held, that this was all too subtle, but it is undoubtedly true that Washburn & Moen and their associates, in their great desire to settle with Haish, persuaded themselves that they could clearly sever and divide the transaction with Haish into two agreements, each of which rested upon a distinct and sufficient consideration, and, because they so persuaded themselves, they closed the transaction.

Be that as it may, the legal effect of the Haish settlement is the same in whatever relation it may be involved. Unless there is some element of fraud or estoppel in the case, the Thorn Wire Hedge Company cannot insist that, while as to licensees the Haish agreement was a free license, as to itself it was something very different. Washburn & Moen did not assume all the risks incident to the transaction, and were not asked to do so. They thought, indeed, there was no risk, and so expressed themselves, but there is in that no matter of estoppel. Both parties had equal means of determining the legal effect of what they were doing. If the trouble growing out of this matter had been due to some secret understanding with Haish, or if the Thorn Wire Hedge Company had been ignorant and not chargeable with knowledge of the license contracts, it might well claim that no part of the consequences should be charged to its account. But nothing of the kind exists in the case. The controverted question in the Haish matter was a question of law, and the law is for all persons the same; upon the same state of facts it pronounces the same judgment. The Thorn Wire Hedge Company co-operated with Washburn & Moen throughout, and authorized the settlement with Haish not only in substance, but in the very form in which it was made, knowing, as well as Washburn & Moen, that the agreement of license and the agreement to purchase the patents were related and dependent, at least so far that Haish would not take a license and agree to pay royalty, unless, at the same time, he received a sufficient consideration for his patents to offset the royalties.

It must be remembered that the Washburn & Moen Company did not and could not derive any benefit from the transaction which was not shared in due proportion by the Thorn Wire Hedge Company. They did not and could not grant any license distinctively under the Haish patents. They did not and could not receive any royalties distinc-

tively on account of these patents. Any wire made under them was necessarily within the scope of the Kelly patent, as it had then been construed, so that a license to make barbed wire under the Haish patents, so far as it gave full and complete authoritory to make such wire, was equally a license under the Kelly patent. Washburn & Moen did not and could not increase the rate of royalty to be paid to them by any licensee, as a consequence of the additional advantages that were to be derived from the Haish patents, because they were limited by their contract with the Thorn Wire Hedge Company in the rate of royalty, which could not exceed that which the licensees were then under obligation to pay. To use the form of current political controversy, the agreement with Haish was intended as a measure of protection and not as a measure of revenue. It was intended to secure what they already had, not to get more. As to this, Mr. Calkins says that the patents obtained by the Washburn & Moen Company from Haish were to be added to the bulk of patents it already had, and in so far as licensees were thereby kept out of litigation, that would be of benefit to the Washburn & Moen Company and the Thorn Wire Hedge Company in the proportion of royalty they were receiving (146). The Washburn & Moen Company was limited to seventy-five cents per one hundred pounds royalty in contracts with licensees, and could not increase this by reason of the patents acquired from Haish (146).

The agreement of the Thorn Wire Hedge Company giving consent to and authorizing the settlement with Haish, is a consent to everything that was done, and authorized the settlement as a whole, and consent was expressed and authority given to grant the license and to execute the agreement to pay royalty to Haish for his patents in one and the same sentence. They had occasion to consider, as we have already shown, the question of the effect of the transaction upon the contracts with the licensees, and they

were of the same opinion respecting this that Washburn & Moen were, and acted in the view that the licensees were not concerned with it. To treat this matter, therefore, as one of interest exclusively to Washburn & Moen, to treat the consideration received from Jacob Haish as a benefit only to Washburn & Moen, is to ignore the facts as thrice stated by Mr. Calkins himself, when called upon to state them under oath?

The agreement with which we have to deal was entered into by all the parties interested in the receipt of royalties on barbed wire. It was made upon a full understanding by them all of the situation; after mutual consultation with each other and mature deliberation by all; it was made as the best solution, in the judgment of them all, of a pressing and perplexing question. As between these parties, there was the most perfect candor and good faith, and we submit that an agreement so made cannot be avoided in any respect or to any extent by any one of them. Criticism after the fact is always easy enough. What losses were sustained in consequence of the Haish settlement can perhaps be estimated. What losses were prevented are necessarily conjectural. After the Haish settlement was consummated, the Thorn Wire Hedge Company received from Washburn & Moen, under the contract for the use of the Kelly patents, a round half million of dollars. Thus much was secured, and no man may say that as well would have been done if Mr. Haish, with all his power for harm, had not been secured as a friend and ally of Washburn & Moen and the Thorn Wire Hedge Company.

The crucial question is: Was there any material fact connected with the Haish settlement, or anything of which the Thorn Wire Hedge Company did not have knowledge, or to which it did not assent? As to this question a negative answer must be returned, it is difficult to discern any merit in the claim now made.

After the settlement with Haish was concluded, it was suggested that a paper be circulated among the licensees authorizing such a settlement to be made. The paper was in the following form:

We, the undersigned, licensees under certain letters patent for barbed fence wire and machinery for making the same, owned by the Washburn & Moen Manufacturing Company, or by it and Isaac L. Ellwood, do, in consideration of the benefits and advantages which will accrue to us and to each of us therefrom, authorize and request said Washburn & Moen Manufacturing Company, and said Isaac L. Ellwood, to purchase of Jacob Haish, of DeKalb, Illinois, all of his letters patent, and rights to letters patent, upon such terms and conditions as they can arrange with him as to payment of the consideration for such purchase, out of the royalties to accrue to the Washburn & Moen Manufacturing Company and Isaac L. Ellwood from said Jacob Haish, under a license to manufacture and sell barbed fence wire under the said letters patent owned by the said Washburn & Moen Manufacturing Company and Isaac L. Ellwood, running to February 27th, 1894; which license we do hereby authorize and request to be granted to the said Jacob Haish, wherein the said Jacob Haish shall be confined by the terms of the said license to observe in the sale of barbed fence wire manufactured by him the same schedule rate of prices which are now or which from time to time shall be fixed for the government of the licensors and all licensees, and whereby he shall be limited to a fixed amount of tonnage or quantity of barbed fence wire to be sold by him in each year during such license.

In witness whereof, we have hereunto set our hands this 25th day of July, A. D. 1881 (373).

This paper was not signed by any licensee until after the Haish settlement had actually been consummated (454). This is undisputed.

The signing of the paper, it may be argued, would estop licensees from insisting upon any advantage to themselves from the Haish matter.

If the agreement with Haish had the effect upon the contracts of the licensees which the courts gave to it, and it is only in that view that the consent paper is of any relevancy whatever, then, as soon as the Haish settlement was consummated, the licensees were, each of them, entitled to an abatement of all royalty on wire made up to four thousand tons per annum, and to a reduction to fifty cents per

hundred pounds on all wire in excess of four thousand tons per annum and up to eight thousand tons. Such was the right secured by written contract, and no thanks to anybody therefor. They could not be held to pay royalty thereafter, except by a virtue of a new agreement, founded upon a good consideration.

The paper in question simply asked that a settlement be made with Haish, and as this had already been done, it was an idle ceremony. It was gone through with as something that if it did no good at least could do no harm.

But even if its terms were in effect a promise to pay royalty at the rate originally established, notwithstanding the Haish settlement, then it is void, because absolutely without consideration. A valid consideration must consist of a present or a future act; a past act cannot serve as a consideration for a promise.

It is well settled, that a promise to pay a debt which the creditor has himself released is without consideration. (Wharton on Contracts, Vol. 2, Sec. 513; *Valentine vs. Foster*, 1 Metc. 520; *Hale vs. Rice*, 124 Mass. 292; *Stafford vs. Bacon*, 1 Hill. 532; *Mills vs. Wyman*, 3 Pick. 207; *Chaffee vs. Thomas*, 7 Cow. 357, and *Comstock vs. Smith*, 7 Johns. 86.)

Criticism may be made upon the form of this paper as misleading the licensees. In asking that a settlement be made, it virtually asserted that none had as yet been made. Concerning this, as concerning everything else, the Thorn Wire Hedge Company had full knowledge and assented to what was done.

True, Mr. Stiles says that he was away when this was prepared, had nothing to do with it, and did not know about it until afterwards (245). He is mistaken. As a member of the firm of Stiles & Calkins he himself signed such a paper. This is not denied, and the paper signed by him is in evidence (523). Furthermore, Mr. Ellwood says he talked with Stiles about the

paper, and it was agreed that they two could take the mat ter in hand and get the licensees to sign quicker than anybody else could (690). True, Mr. Stiles says he does not remember this conversation, but, in view of the fact that he remembered little or nothing about this entire subject, the evidence of Mr. Ellwood is not impaired.

Mr. Calkins testifies that both he and Mr. Stiles signed this paper, and that when they did so, the matter was discussed at some length by Mr. Stiles and Mr. Millington, and Mr. Stiles said, "it was foolishness to go around and get consent to the settlement with Haish from the licensees. * * * He was quite emphatic in that view" (166).

Mr. Stiles, however, did himself attempt to get the signatures of licensees to this paper. A letter is introduced, written by Mr. Offield to Mr. Stiles, asking him to get the signature of Mr. McCosh, of the Hawkeye Company (687). And the Washburn & Moen Company had correspondence with Mr. Stiles respecting this same matter (523).

This paper was manifestly an ineffectual one. It bound nobody. It made the situation neither better nor worse, but left it as it was when the settlement with Haish was closed.

The obligation of the licensees to pay royalty had been effectually released by the Haish settlement. What was there in the request to create a new obligation? It was in form a request to do what had been done. It was not acted upon in any way, and so could not create any estoppel.

The sum of the matter is that whatever was done by Washburn & Moen which had the effect to relieve any of their licensees from the payment of royalty was done on July 26th, 1881, when the settlement with Jacob Haish was consummated, and the measure of their liability therefor to the Thorn Wire Hedge Company was fixed on that date, and by what was then done. Efforts to avert the consequences of their act made by them thereafter could not be

worse than fruitless, and could not therefore make the situation any worse, and so far as they relieved it they were of benefit and advantage to all concerned.

In passing, it is worth while to note that not more than one-fourth of the licensees of Washburn & Moen secured any abatement of royalty either by suit or by settlement on account of the agreement with Haish, and this fact in itself is the very highest evidence that Washburn & Moen were diligent and remakably successful in the maintenance of their license system and royalty income.

It is pertinent to inquire when the Thorn Wire Hedge Company first made complaint on this score. January 16th, 1886, it passed a resolution as follows:

Resolved, That the president and A. K. Stiles be appointed a committee to make such arrangements with some attorney or attorneys as may seem best, and that proceedings be commenced against the said Washburn & Moen Manufacturing Company under our contracts (233).

October 4th, 1886, this committee made the following report to the board of directors:

Your committee on deferred royalties have employed Messrs. Cratty Bros. & Aldrich, who have looked over all the papers and have given us a very satisfactory opinion regarding Washburn & Moen Manufacturing Company's liability to us. One of your committee will no doubt go to Worcester some time in December (234).

November 9th, 1886, Mr. Calkins wrote to Washburn & Moen setting forth the claim of the Thorn Wire Hedge Company, and among other things said:

Again, by your contracts with your licensees, have you not entered into such agreements with your licensees which has had the effect to practically debar you from making collection of royalties, which you had, for a consideration from us, specified in those words, "and the first "party agrees to make each of its licensees *agree* to pay it, for the second "party, one-quarter of a cent per pound on all the barbed wire it makes "and sells during the term of the Kelly patents, and to use its best en- "deavors to collect the same" (232).

This is the first allusion to the Haish agreement as a violation of Washburn & Moen's contracts with the Thorn Wire Hedge Company. Its significance lies in its date.

The Kelly patents expired February 11th, 1885, and with them the royalty income of the Thorn Wire Hedge Company ceased, except so far as concerned delayed payments. So long as there was something to get no complaint was made. So long as the Washburn & Moen Company was pouring gold into the coffers of the Thorn Wire Hedge Company there was no complaint; it was the cessation of the stream that provoked discontent.

Occasion for complaint, if cause existed, had presented itself long before. In 1881 the Chicago Galvanized Wire Fence Company brought its suit. Mr. Calkins admits that he knew of it at the time, and talked with the president of that company respecting it (147). In the bill filed by that company, it was distinctly alleged that the agreement with Haish was in effect a free license, and the prayer was for a return of all royalties paid after July 26th, 1881, and abatement of all future royalties (726).

If this was a complete surprise to the Thorn Wire Hedge Company, and if it involved a breach of contract by Washburn & Moen, why was not something of the sort said?

Soon after, Haish's attorneys brought suit against him to recover the value of their services, and this involved the settlement they had helped to negotiate. The case was tried in May, 1882, and testimony given respecting the settlement. Mr. Stiles was present at the trial, and this is what he has to say respecting it. We quote from a letter written to Washburn & Moen, May 2d, 1882:

> Mr. Coburn seems to have taken a retainer from Jacob Haish, and is now trying his case in defense of the suit which has been brought against him by Payson, Munday & Evarts. I am afraid there has been a great mistake made in allowing Mr. Coburn to engage in those suits. The suit has been in progress now for a week. All the attorneys have been put on the stand and have given their version of the whole settlement between Haish and your company. I think if the matter had been allowed to rest at the close of the testimony for the plaintiff, the jury would have rendered a verdict favorable to Haish, or at least would have brought in small damages. As it is, Coburn has put Haish on the stand, and Crandall, who with his attorney and Mr. Kirkham have been

present during the whole trial, for consultation with Munday & Evarts, are trying to draw out evidence from Haish which I think is merely for the purpose of laying grounds to enable them to bring in rebutting testimony; and I think they will put Ellwood and all of us on the stand in rebuttal, on purpose to draw out everything in relation to the settlement with Haish. Mr. Crandall appears very much excited, and so do his attorneys. They claim they have sufficient evidence to show that you have violated your agreement with them in regard to the license, and that they will not have to pay any royalty hereafter. There are others who think that if Crandall should win his case, then they would have to be placed in the same position. Take it all in all, I consider it a most unfortunate affair to happen just at this time; and it would seem to me that Coburn could have affected a settlement of that matter, and it would have been a great deal better than to have had all the barbed wire settlements gone over in court and made public (524).

Here is the whole controversy over the Haish settlement as between Washburn & Moen and their licensees plainly foreshadowed. Is there in all this any expression of surprise, any reproach? The expression, "I think they will put Ellwood and all of us on the stand in rebuttal on purpose to draw out everything in relation to the settlement with Haish," shows that Mr. Stiles counted himself in among those who were actors in what was drawn in question. There is no shirking of responsibility, no throwing the blame on others.

He is, of course, solicitious, and he proceeds naturally enough:

I suppose you have consulted with your attorneys enough to know what effect this settlement with Haish is going to have on your contracts with Crandall. The Crandall Manufacturing Company and Crandall & Kirkham do not seem to have a realizing sense of the position in which they would be placed if the barbed fence business were thrown open to the public, but seem to have a desire to do anything to beat you, regardless of consequences.

This plainly implies a knowledge of all the facts relative to the settlement, and expresses concern for the legal effect which is by Messrs. Crandall & Kirkham asserted to be something different from what Mr. Stiles had supposed. His censure, so far as he indulges in censure, is all for Crandall & Kirkham.

Mr. Stiles follows the progress of this case as one of great interest to himself, and on May 5th, 1882, writes to Mr. Washburn: "Haish suit is still on trial here, and I understand that Mr. I. L. Ellwood was to be on the stand this morning."

During the summer of 1882 the case of the Chicago Galvanized Wire Fence Company came on for trial. With respect to this the Thorn Wire Hedge Company had full information, because Mr. Calkins was himself called as a witness in the case and interrogated as to the part which the Thorn Wire Hedge Company had in that settlement. The case was decided in October, 1882, and the decision sustained the pretensions of the Chicago Galvanized Wire Fence Company. It is conceded that the officers of the Thorn Wire Hedge Company had full knowledge of this at the time. Correspondence between Mr. Washburn and Mr. Stiles ensued. They agreed, of course, that the decision was wrong. Mr. Stiles said:

> Owing to the paid advertisements and notices of E. M. Crandall in the newspapers, the licensees seemed at first to be totally demoralized. Those who have no sense of honesty seem to think there is a chance for them to make some kind of a break, I do not know what. Mr. Sears was to meet me to-day, and I was to call a meeting of the barbed wire manufacturers to sign our new contracts which we have agreed upon; but Mr. Sears came to town this morning and seems to have been busy running around to the lawyers, and we have no time for consultation. Quite a number of the licensees came in to-day, some from Joliet, Mr. Converse from Cleveland. I have explained the matter to them more fully, and concluded to wait until next week before we called the association together and give them a little time to cool off. *There is no doubt but that this is an outrageous decision not warranted by facts. I do not think it will be sustained by the higher courts.* The greatest difficulty is that Crandall misrepresents the decision, and it does not seem to be the proper time to publish any counter-statement. I will write you further. (Scutt telegraphed yesterday to Lynde, at Buffalo, not to pay any more royalty—so says Klinefelter. All strictly confidential.) (526, 527.)

Both parties to the present controversy viewed that case in the same light. Mr. Washburn wrote that the decision was founded on a misapprehension of the facts, and that

they should be able to make the court understand more fully at the next trial (526). If the trial had developed anything unknown to the officers of the Thorn Wire Hedge Company they would not have been slow to make complaint. The possible effects of this decision were at once apparent and clearly discerned by Mr. Stiles. That this was not a matter of indifference to the Thorn Wire Hedge Company, or of concern only to the Washburn & Moen Company, a little incident that follows will make plain.

In the month of November, Mr. Stiles and others attempted to get control of the stock of the Chicago Galvanized Wire Fence Company and of the Crandall Manufacturing Company, and he asked Washburn & Moen to advance $7,000 towards this end. More would be necessary, but "our company," he says, will loan the balance (527). Washburn & Moen at once assented, but the plan failed. It is not necessary to go into this more in detail, as its only relevancy in the present controversy consists in showing that the officers of the Thorn Wire Hedge Company at that time believed themselves to be affected by the decision in the Chicago Galvanized Wire Fence Company case in like manner as Washburn & Moen were. Mr. Stiles now says that in his telegram of November 12th, by "our company" he referred to the Manufacturers' Equitable Association. This is an afterthought. No letter of his, of the many in this record, can be shown in which he ever refers to the association in such terms. It was not a company. It could not engage in this transaction had it desired to do so. Besides, the correspondence respecting the matter was with him as president of the Thorn Wire Hedge Company (527–8–9).

In the meantime other licensees brought suits and ceased the payment of royalty. Referring to this, Mr. Stiles writes, on May 25th, 1883:

> As it seems that the only thing that can be done now is to look after the tonnage of these folks, *and see that they pay their royalties where there*

have been no injunctions issued, would it not be well to apply at once to the court to enjoin them from manufacturing beyond their licensed tonnage. * * * As the courts are so ready to issue injunctions, it seems to me that you might get one in your favor if taken hold of vigorously (533).

He accepts the situation as it is, and his advice is, substantially, to make the best of it.

In the latter part of 1882 the Oliver Bros., the parties interested in the Pittsburg Hinge Company, had become discontented, and Mr. Stiles advised that they be compromised with. He is very urgent to have a settlement effected.

What I am afraid of is, with all the litigation you have on hand now, if you add another fight with the Pitts. Hinge Co., you will have more on your hands than you can attend to. I would advise that you ask Mr. Geo. Oliver to come to Worcester and see if you cannot make a settlement of the matter in some way that will be satisfactory. We have been at work a long while fixing up the matters of the association, and we are about to complete it now. There are only two or three licenses more to be deposited with Mr. Collins, and we will be ready to issue our circular of instructions to licensees soon. I am afraid that this matter of the Olivers will destroy the whole business. * * * I feel that it is a critical time to have any suit with the Olivers, and Mr. Oliver expressed a willingness to go to Worcester and see if the matter could not be amicably arranged (529, 530).

Much more correspondence of the same character passed between the parties. Everything is of the same tenor with that we have quoted, and in none of the letters written at that time, when the matter was fresh in the minds of all, was there one word of complaint against Washburn & Moen.

The letters written by Stiles are full of censures and strictures upon licensees, and he advises at times the most rigorous proceedings against them. We quote a single example. March 17th, 1883, he writes as follows:

There is no doubt but that our only salvation is for you to cancel some licenses and write to see if it cannot be done on account of selling under price. I never saw a set of men who had so little regard for the truth and had so little business sense, and I have been thinking that perhaps if you get a favorable decision in St. Louis and the sky looks

clear elsewhere, that we may be able to hold the thing up and keep things together. I should have resigned as president of the association, but Mr. Ellwood persuaded me to continue and try and keep things along. I do not know as reducing the price would do any good. Of course it would lead to utter demoralization at once, which would probably not be advisable, but something will have to be done later on, if the manufacturing cannot be stiffened up (530, 531).

By May, 1883, matters have come to a crisis, and on the second of that month Mr. Stiles writes:

As you have probably learned, the Manufacturers' Association is "busted," virtually abandoned, although under advice of Mr. Ellwood I retain the presidency and we hold our organization. I think it better to do this, so that no organized effort against us through the association could be made without my knowing it. * * * Our factory is virtually shut down, as is also Stiles & Calkins. We are running a few machines on galvanized wire, and storing the balance of the plain wire, which we are obliged to take on our contracts. The cause of the bursting up of the association was the fact that large manufacturers were shipping out immense quantities of wire and reporting but a very small proportion to you and to the association. After talking the matter over with Mr. Ellwood, we came to the conclusion that paying into the association was only further inducement for these manufacturers not to report properly the amounts of wire which they had sold, and that part of the inducement had better be removed at once. I judge they are all holding back their reports to see how the suits in Iowa are going to be decided. *There was a great deal of talk among the licensees while here at the meeting about not paying any more royalties, but they can get no organized effort that way, and if they do, the matter might as well come to a head now as at any time* (532).

The suits referred to in the letter last quoted were those involving the validity of the Kelly re-issue patent. The decision of these cases was adverse to Washburn & Moen. The Glidden re-issue was held invalid at the same time (June 4th, 1883, 16 F. R. 661). The effect of this, added to what had gone before, was, of course, to completely demoralize the business. A re-adjustment of affairs was absolutely necessary. As the matter then stood, so far as the patents on barbed wire were concerned, the field was apparently open to all who chose to enter it in the Eighth Circuit. And while it is true that the Kelly and Glidden patents had both been sustained in the Illinois Circuit, it is

beyond controversy that manufacturers in that circuit could not pay royalty and successfully compete with rivals of the Eighth Circuit. New contracts had to be made all around, and for that purpose parties interested, or their representatives, met at Worcester on June 12th, 1883. There were Mr. Ellwood, Mr. Glidden, Mr. Stiles, for the Thorn Wire Hedge Company, and many of the licensees.

At this time there were two things in the situation which had to be dealt with: the Haish settlement and the adverse decision upon the re-issue patents. A new contract was drawn up to be signed by the licensees, by which the royalty was reduced to thirty cents, and Washburn & Moen were authorized to settle on such terms as they could, their controversies with licensees growing out of the Haish settlement. Mr. Washburn testified that this was done upon consultation with Mr. Stiles and with his consent, and Mr. Stiles himself says:

"We all went to Worcester to see what would be done. "I presume that I advised that they settle with their li- "censees and get them started again. * * * Every time "we made a reduction they promised to get them all into "line again. * * * I advised that they should settle "with their licensees, in order that the licensees should "again acknowledge their obligation to pay royalty. As "president of the Thorn Wire Hedge Company I always "advised settlements of litigation between Washburn & "Moen and their licensees (251).

"I knew some of the licensees were claiming, in May, 1883, "that they had been relieved from the payment of royalty "up to the amount of four thousand tons per annum in like "manner as the court decided the Chicago Galvanized Wire "Fence Company had been relieved. I knew that in order "to make settlement with them concession had to be made "to them in that respect. I knew they always wanted con- "cessions" (252).

In his rebuttal testimony he says that when he went to Worcester, in June, 1883, a car load of licensees went along (269). "I do not think I went down more particularly to make a new or amended agreement on behalf of the Thorn "Wire Hedge Company. We didn't know what we would "do. I think I went there to help fix the thing up, if there "was any way to do it; to help on behalf of the licensees, to "help the business all around, to help make whatever ad-"justment the situation required to be made" (267–8).

"When I got to Worcester the situation was talked over "between the representatives of the Washburn & Moen "Manufacturing Company, I. L. Ellwood, myself, and the "committee of licensees, altogether in a general conversation.

"The object of that conference was to arrange some plan "or new agreement under which the licensees could go on "and continue paying royalty. The plan of that agreement "was discussed there, and when I, as a member of the firm "of Stiles & Calkins, in August following, got a printed "copy of a new agreement for us to sign, I understood "that it was the outgrowth of our conference in June. "*About all I did there was to ask them what they wanted me "to do, and when they decided it, I said I would do it for "the Thorn Wire Hedge Company.* I was there when they "were talking with the licensees also most of the time. "There could not be a new agreement made with the li-"censees by Washburn & Moen alone. They had to have the "consent of the licensees. I suppose the object of that "conference was to see what kind of a new agreement would "be satisfactory to the licensees; it was to ascertain the "conditions upon which they would continue to pay royalty. "I understood when I left there that the terms of an agree-"ment had been substantially arranged, and that the li-"censees would be brought in and would go on paying "royalty" (268, 269).

Two agreements were the outgrowth of that conference, one which it was intended to get the licensees to execute as

far as possible, and one with the Thorn Wire Hedge Company.

The agreement to be made with licensees reduced the royalty to thirty cents, and contained, among other things, the following:

> And the said licensee, as aforesaid, waives all breaches, if any, by said Washburn & Moen Company and Isaac L. Ellwood, jointly and severally, of the covenants and agreements contained in said license, made or suffered prior to the date of this agreement, and releases said Washburn & Moen Company and Isaac L. Ellwood, and each of them, from all liability and claims under said license, or otherwise, by reason of the settlement and agreement heretofore made with and license granted to Jacob Haish, of De Kalb, Illinois, and waives all rights and claims, or pretended rights and claims, for any abatement of royalty, or refunding of royalty, already paid by reason of said settlement and agreement with said Haish, or the granting of the license to him as aforesaid, and for any other cause, and the said licensee, in consideration as aforesaid, WAIVES ALL RIGHT OR CLAIM TO ANY ABATEMENT OR REDUCTION OF ROYALTY ON ACCOUNT OF ANY AGREEMENT OF SAID WASHBURN & MOEN COMPANY AND SAID ISAAC L. ELLWOOD, JOINTLY OR SEVERALLY, HAVE OR HAS MADE, OR MAY HEREAFTER MAKE, WITH ANY OF THEIR LICENSEES, OR A LICENSEE OF WASHBURN & MOEN COMPANY WITH THE APPROVAL OF ISAAC L. ELLWOOD, AS TO ALL CONTROVERSIES OR DIFFERENCES EXISTING PRIOR TO THIS DATE. *provided, however*, no settlement or agreement shall be made with any of said licensees or any future licensees for any greater abatement or reduction of future royalties than is made in this agreement, or if any greater abatement or reduction is made the undersigned licensee shall be entitled to have the like abatement or reduction (376).

The purpose of this is self-evident. It was to enable the Washburn & Moen Company to settle the Haish matter independently with each licensee on the best terms possible. Mr. Stiles was present and consented to this arrangement, and it was manifestly the best thing to do under the circumstances. The firm of Stiles & Calkins got a copy of this agreement in July, and executed it on their part. Both members of the firm knew that this was the form of an agreement to be entered into with licensees as far as possible, but Mr. Calkins swears the Thorn Wire Hedge Company knew nothing about it. He, as a member of the firm of Stiles & Calkins, knew all about it, but as an officer of

the Thorn Wire Hedge Company he did not take it into consideration (140, 141). But let us humor this whim. The fact remains that Mr. Stiles learned all about this, and assisted in it when at Worcester, in his capacity as president of the Thorn Wire Hedge Company.

With knowledge of the Haish settlement, with knowledge of what the licensees claimed respecting it, with knowledge of the judicial construction put upon it, with knowledge that a plan of settlement of this matter was determined upon, a plan approved by himself, Mr. Stiles, for the Thorn Wire Hedge Company, on the 13th day of June, 1883, made a new agreement with the Washburn & Moen Company. This agreement (11) recites that whereas it is at the option of the Washburn & Moen Company to dis continue the payment of royalties to the Thorn Wire Hedge Company; and whereas the Thorn Wire Hedge Company is desirous that the Washburn & Moen Company "shall be obligated and bound to pay a specified and fixed "royalty on each one hundred pounds of barbed wire which "it shall sell on and after June 1st, 1883, up to and including "February 11th, 1885; and shall also guarantee that I. L. "Ellwood & Co. shall pay the same fixed royalty upon each "and every one hundred pounds of barbed wire which it "shall sell on and after said first day of June, 1883, up to "and including February 11th, 1885;" therefore it is covenanted, etc.

First. The Washburn & Moen Company is to pay five cents per one hundred pounds on the wire which it shall sell after July 1st, 1883, until February 11th, 1885.

Second. "Said Washburn & Moen Manufacturing Com- "pany *shall furthermore be exempt from paying the Thorn* "*Wire Hedge Company, its assigns or legal representatives,* "*any greater royalty on barbed wire it shall license to be* "*made on and after June 1st, 1883, to and including Feb-* "*ruary 11th, 1885, than five cents on every one hundred* "*pounds* of barbed wire manufactured and sold by any

"party, or parties, manufacturing and selling barbed wire "under license from said Washburn & Moen Manufacturing "Company, but said Washburn & Moen Manufacturing "Company shall not be under obligation to pay said royalty "on the barbed wire manufactured and sold by its licensees "until after it shall have collected the same from its said "licensee or licensees."

The third clause provides that Washburn & Moen shall guarantee the payment of royalty on wire sold and made by I. L. Ellwood & Co.

By the fourth clause the Washburn & Moen Company, in consideration of the reduction of royalty to five cents, stipulated to pay that royalty on its manufacture.

Fifth. In consideration of such reduction the Washburn & Moen Company agrees that I. L. Ellwood & Co. shall pay the reduced royalty on their manufacture, or it (the Washburn & Moen Company) will pay it.

Sixth. The agreement of July 3d, 1876, and subsequently amended, is further amended to the extent set forth, and Washburn & Moen, I. L. Ellwood & Co. and licensees shall be released from royalty on wire sold after February 11th, 1885.

"*Seventh.* Said Washburn & Moen Manufacturing Com- "pany agree to pay said reduced royalty of five cents on "each and every one hundred pounds of barbed fence wire "which it shall license to be made or which shall be sold "under a license from it, on and after June 1st, 1883, to "and including February 11th, 1885. Payments of said "reduced royalty of five cents for each one hundred pounds "on licensed wire to be made in accordance with the said "original agreement and the amendments thereof; *but no "payments of royalty on licensed wire to be made until it "shall have been first collected by said Washburn & Moen "Manufacturing Company.*"

"*Eighth.* Said party of the second part further covenant "and agree with the party of the first part, its successors

"or assigns, that it will pay the said reduced royalty of five "cents per one hundred pounds to the party of the first "part, its successors or assigns, on the barbed wire made "and sold by itself, I. L. Ellwood & Co., or its licensees, "at the time, in the manner, and on the same terms and "conditions as payments are now required to be made by "the provisions of the agreements now existing between "the parties hereto, and that such payments, when due and "payable, shall be promptly and punctually made to the said "party of the first part, or its successors or assigns, without "any delay or rebate on account of any claim or demand, "or question of claim or demand, of said party of the second "part or said I. L. Ellwood & Co. against said party of the "first part, and independently of any and all questions of "dispute or otherwise, which may arise between the said "party of the first part and said party of the second part "or said I. L. Ellwood & Co., or any or either of them."

Ninth. This relates to an assignment of the contract, and is not involved here.

The agreement is absolute that the Washburn & Moen Company shall pay royalty at the rate of five cents per one hundred pounds on all barbed wire it and I. L. Ellwood & Co. make and sell prior to February 11th, 1885.

The agreement as to the product of the licensees is very different.

By the third clause the Washburn & Moen Company is *exempted* from paying more than five cents per hundred pounds on wire made by licensees, and is not to pay this until it shall have collected the same from the licensees; and, again, by the seventh clause it agrees to pay five cents on the product of the licensees, "but no payments of roy- "alty on licensed wire to be made until it shall have been "first collected by said Washburn & Moen Manufacturing "Company."

Why such elaborate discrimination between the barbed wire sold by the Washburn & Moen Company and I. L.

Ellwood & Co. and that sold by the licensees? Why is the obligation to pay royalty in the one case made absolute, and in the other made contingent upon collection? Not to pay until collected means not to pay unless collected. The only existing obstacle to collection of royalty as they matured was the Haish settlement trouble. On this account suits to collect royalty had been enjoined, and one licensee had been absolved from payment entirely. No claim had then been made that the Thorn Wire Hedge Company was not implicated in the Haish settlement as fully as the Washburn & Moen Company. Royalties otherwise long past due had not been paid the Thorn Wire Hedge Company, and it had made no complaint.

The original draft of this agreement of June 12th, 1883, and as executed by the parties, contained this clause, viz:

> And provided further, that said party of the second part shall at all times use all due and reasonable efforts and diligence to collect from its licensees all moneys which from time to time shall be due and owing from such licensees to them, and this ninth clause is to control any and all matters or things in this contract or in any existing contract between the parties hereto, or between either of them and said I. L. Ellwood & Co. to the contrary thereof.

Afterward this agreement was canceled, and a new one drawn up and executed as of the same date. The sole change made, however, was to omit the clause last quoted. Why was this omission so deliberately made? Manifestly to give greater freedom to Washburn & Moen in making settlements with their licensees, with whom they then had controversies respecting the Haish matters. Such settlements were then in contemplation. The Thorn Wire Hedge Company, through its president, advised that they be made. Washburn & Moen made provision for them in their proposed new agreements with the licensees, and fearing the clause in question in the contract with the Thorn Wire Hedge Company might compel a litigation of every claim, it was abrogated by making a new contract omitting it.

Under this new agreement the Thorn Wire Hedge Company received $122,091.28. It received its share of all that was collected, and under the contract no more is due, because it has not been collected. When this contract was made the licensees here involved were not paying royalty, and the avowed and well-known reason was that they were not bound to do so, because of the Haish matter. If the Washburn & Moen Company was nevertheless bound to account for royalties on the wire sold by them, the obligation to do so resides in the agreement of June 12th, 1883. But by its terms royalty on account of sales by licensees was not due until collected. On what principle is an exception made as to royalties withheld on the score of the Haish settlement? Everything relating to that had then been developed. Suits had been instituted, one had been decided and the others were pending, and these were in the minds of the contracting parties. There is no pretense of mistake in the draft of the agreement, and its terms are conclusive of this controversy.

The subsequent correspondence of the parties is in harmony with the views here presented. From month to month reports were sent in to the Thorn Wire Hedge Company, and payments were made in accordance with them. Regularly as these payments were made the Thorn Wire Hedge Company executed receipts acknowledging payment "in settlement of royalty due as per statement rendered." Not until May, 1886, do they except to the statements. Thereafter the receipts contain a general exception, by way of saving clause.

The Thorn Wire Hedge Company did not rely upon the statements sent by Washburn & Moen. Its officers scrutinized them closely, and fifty letters might be cited from the records containing objections to the reports as rendered. All objections so made were heeded and removed by correction or explanation. On the score of the Haish settlement no objection was ever made. We cannot cite all the

correspondence on this head, and must content ourselves with calling especial attention to a few letters written during the last years of the contract term.

August 18th, 1883, complainant wrote, saying that several licensees had made reports, on whose account, however, payment had not been made. The licensees are named, and the letter proceeds: "We had supposed that where "reports were made, *except in cases where injunctions have "been issued*, and with J. Haish, that the money had been "paid. Will you please have the kindness to make us a "report of all such royalties as you shall have failed to "collect, and from whom due, and the cause of such failure "to collect" (533–4).

The request contained in this letter was promptly complied with, and the report made is to be found on p. 601 *et seq*. This report states concerning the Lyman Manufacturing Company, Baker Manufacturing Company, Chicago Galvanized Wire Fence Company, Iowa Barb Wire Company, Lock Stitch Fence Company, Ohio Steel Barb Fence Company, Lambert & Bishop, and Crandall Manufacturing Company, that no royalty has been paid on account of injunction. Receipt of this report was acknowledged August 23d, 1883, and no objection made to it on any account at this time.

October 6th, 1883, Mr. Calkins writes calling attention to this statement, and complains that notes have been taken from some parties in lieu of cash (188, 189). And this is the only objection made after six weeks of deliberation.

As the matter of taking notes is the subject of a distinct claim, we will not stop to consider it here.

October 31st, 1883, the Washburn & Moen Company transmitted a report of royalties, and made payment of the amount shown to be due. November 2d, following, Mr Calkins acknowledged receipt, but says there are some inaccuracies in the statement, and that it does not take in all the moneys collected (537). November 17th he considers

the matter at length. He claims that his company has been charged with too much on account of inspectors that had been placed in various factories. He corrects the account, and claims $889.34 more as due his company. He concludes, "We return your receipt as sent us, *and upon receipt of above amount will forward receipts signed*" (537, 538).

March 7th, 1884, the Thorn Wire Hedge Company again asked for a statement as to licensees in arrears, and on the 17th such a statement was sent (542–544). This statement reports a number of licensees as withholding payment on account of the Haish matter. No objection was made to this showing.

April 30th, 1884, the Washburn & Moen Company transmitted a regular report of royalties and draft in payment. Receipt of this was acknowledged May 2d. Objection is made by the Thorn Wire Hedge Company to the report on two grounds, one that it should include March sales, and the other that it did not include certain licensees who had paid. We quote what is said on the latter point:

Second. The following licensees are omitted, whom we learn have settled with you:

Lyman Manufacturing Company, January, February and March.

Chicago Galvanized Fence Company, from May, 1883, to March, 1884.

Lock Stitch Fence Company, May 1st, 1883, to September, 1883, also January, February and March, 1884.

Northwestern claims to have paid up.

Crandall Manufacturing Company, May 1st, 1883, to March, 1884, and other settlements since your last report (544).

Washburn & Moen replied to this letter May 6th, 1884.

Lyman Manufacturing Company, January, February and March.

January and March royalties were paid by note due in April; and February royalties by note due in May. We shall place your proportion of the money to your credit as soon as the notes are paid.

Chicago Galvanized Fence Company, from May, 1883, to March, 1884.

In view of our litigation with this company, still unsettled, we thought there would be no objection to our withholding payments on their account until their matters should be adjusted.

Lock Stitch Fence Company. The same holds good of these parties. Northwestern, December sales paid by note in April; January sales paid by note due in May; February sales by note due in June; March sales by note due in July. We shall credit you with your proportion of the royalties upon payment of these notes.

Crandall Manufacturing Company in the same category with the Chicago Galvanized Fence Company (545).

Conditional settlements had been made with the Crandall Manufacturing Company, the Chicago Galvanized Wire Fence Company and the Lock Stitch Fence Company in the previous December and January. These companies agreed to pay royalty on and after May 1st, 1883, while their right to recover royalties paid or their obligation to pay royalty during the period from July 26th, 1881, to May 1st, 1883, was left to be determined by pending litigation; that is, they relinquished their claims under the Haish settlement as to all royalties accruing after May 1st, 1883. Mr. Calkins' letter shows that he was kept accurately informed of what was being done, and was prompt to claim the benefits incident thereto.

To the letter of the Washburn & Moen Company last quoted Mr. Calkins replied: "In regard to Chicago Gal-"vanized Fence Company, Lock Stitch, Crandall Manufac-"turing Company, or others of the class who are now pay-"ing royalty, we are of the opinion that we should have "our proportion that is actually being paid, and should be "asked to wait only for that proportion which is uncollected "or in suit" (546).

Washburn & Moen conceded the claim of the Thorn Wire Hedge Company so far as related to royalty which had actually been paid, and waived the holding it until final settlement had been made with the parties by whom it had been paid.

The Haish question presensed itself not long after in a somewhat different phase.

On September 15th, 1884, the defendant wrote to complainant: "As you are aware, a suit has been a long time pend-

"ing against us to recover the amount of royalties which "had been paid us by the Crandall Manufacturing Company "prior to the 1st day of May, 1883. The case was similar "to that of the Chicago Galvanized Wire Fence Company "against us, in which the court decided that they were en- "titled to recover of us on the ground of the agreement "made between Mr. Haish and ourselves, they not having "signed any assent thereto.

"The case with the last named company has not been "finally disposed of, because we claim that under the opin- "ion of the court and the decision against us they were "only released from the payment of royalty upon the first "two-fifths of their tonnage, and upon the second two-fifths "they were to pay one-half cent per pound, and the last "fifth three-fourths cent per pound royalty; whereas they "claim that under the decision of the court they were en- "titled to be released from the payment of any royalty up "to the amount of their whole tonnage, not exceeding four "thousand tons; and the question as to the proper con- "struction of the decision of the court is still open. In the "Crandall Manufacturing Company case judgment has been "rendered against us for the sum of $14,804.20, which is "on the same basis that we claim that it should be rendered "in the Chicago Galvanized Company case under the deci- "sion of the court.

"We accordingly have had to repay the Crandall Man- "ufacturing Company said sum, it being a portion of the "royalties paid to us by them after the 26th of July, 1881, "and prior to the 1st of May, 1883. We having long since "paid you your portion of the amount, namely, $2,960.83, "it is proper that you should refund that amount to us, as "by the terms of our agreement with you, dated December "2d, 1878, we were to pay over to you only a certain pro- "portion of the money that we had received from our li- "censees, and you relinquished any claim on us for royal- "ties which we might fail to collect after using due dili-

"gence and lawful means to collect the same, and as by the "orders of the court we have been obliged to refund these "royalties on the ground that we ought not to have col- "lected them; our case, as far as you are concerned, should "stand the same as if we had never collected them, and "what we paid over to you should be refunded to us" (547, 548).

October 2d, Mr. Calkins replied: "I have carefully con- "sidered the matter and also have had our attorneys exam- "ine our contracts, *but we fail to find in them any provision "whereby this company should refund moneys that have "been actually paid on account of royalty and settlements, "made according to the provisions of the same.*

"We would say further, that such moneys have long "since been divided and paid over by the company to the "various interests thereto, so that, however much the pres- "ent officers might feel like yielding to what appears to you "to be equitable, yet under the circumstances we are obliged "to decline compliance to your request.

"We have always endeavored to meet every question "which has arisen between us in a liberal spirit, and trust "that you will merely look upon this matter, as now pre- "sented, only as an honest difference of opinion" (191).

October 6th the defendant wrote: "If we had not paid "over these royalties to you, it is very clear, under the "terms of your agreement, that you would have no claim to "the same; but we have paid them to you, and it being de- "termined by the court that we ought not so to have paid "them, it is so manifestly just that they should be returned "that we hoped you would have made no question as to the "same.

"We hope now, on further consideration, the officers of "your company will deem it proper to return your amount "thereof, or acquiesce in our deducting it from future roy- "alties due to you.

"As you suggest in your letter, we believe it is true that "you have always endeavored to meet every question be- "tween us in a liberal spirit, and we trust that you will look "upon the present matter in the same light; if there still "remains an honest difference of opinion between us, "neither, of course, desires any litigation as to the same, "and we suggest that we should be willing to submit the "same to an impartial arbitrator" (191–2).

Further correspondence ensued, but the Thorn Wire Hedge Company refused to refund any of this money. The refusal, however, was based on the sole ground that it was not obliged to repay anything once received by them.

If during all this time the company was intending to make a claim for royalty withheld on account of the Haish settlement, its conduct was not open and ingenuous. By consenting to what was done from time to time it prevented the Washburn & Moen Company from taking effective measures to save itself, as far as possible, from the claims now made against it.

Mr. Calkins says the matter was held in abeyance, and no positive action taken by his company until after the expiration of the patents (107). This holding in abeyance was a mere mental reservation on his part; it was never communicated to the defendant (148). Such a course is not admissible. The Washburn & Moen Company was entitled to know the position of the Thorn Wire Hedge Company, and the latter is now estopped from preferring this claim. (Bigelow on Estoppel, 4th Ed., 565–656, 661; Watts' Appeal, 78 Pa. St. 370; Lindley on Partnership, 2d Vol., 784–5; *Blair vs. Johnson*, 1 Head (Tenn.) 13; *Parry vs. Mfg. Co.*, 37 Conn. 520; *Bradley vs. Ballard*, 55 Ill. 413; *Railroad Co. vs. Howard*, 7 Wall. 392; *Bissell vs. City*, 24 How. 300; *Bank vs. Dandridge*, 12 Wheat. 64; *Aurora Society vs. Paddock*, 80 Ill. 263; *Hoyt vs. Thompson*, 19 N. Y. 217; *Supervisors vs. Schenck*, 5 Wall. 782; *Morgan vs. R. R. Co.*, 96 U. S. 716.)

Considering the case as an open one, it is not unlike a case of partnership where one of the partners acting within the scope of his authority, or with the knowledge and assent of his co-partners, if loss results, it falls not upon the individual but upon the partnership. Lindley on Partnership, 781–6; Bates on Partnership, Vol. 2, Sec. 763; Story on Partnership, Sec. 169; Parsons on Partnership, 3d Ed., *224; or, if we consider the defendant as the agent of the complainant, the result is not different. Where an agent acts with the knowledge and assent of his principal he acts within the scope of his authority, and so acting he is not liable for resulting losses. Daniel on Negotiable Instruments, Sec. 287; Loeb vs. Hellman, 83 N. Y. 601; Drakely vs. Gregg, 8 Wall. 242; Bronson vs. Chappell, 12 Wall. 681; Law vs. Cross, 1 Black. 533; 1 Parsons on Contracts, 50–52; Gaines vs. Moller, 111 U. S. 395; Cochran vs. Chitwood, 59 Ill. 54.

And passing beyond the original transaction, how can the present conduct of the complainant be justified in view of the contract of June 12th, 1883? Then the Kelley patent was of little, if of any, value. The Missouri decision, holding that patent to be invalid was the law of that circuit, and in view of the then recent decisions of this court was sure to be followed elsewhere. The Missouri decision was regarded as final by the parties. No appeal from it was taken, and the complainant itself never asked that any should be taken. Add to this the troubles growing out of the Haish settlement, and it is obvious that the situation was a serious one. The Thorn Wire Hedge Company did not then disclaim responsibility for the situation, it made no claim that the Washburn & Moen Company was bound to pay royalty on all wire made by licensees in any event. On the contrary, it advised settlements on the best terms that could be procured. It assisted in formulating the plan of re-adjustment. As a result, it got more than one hundred and twenty-two thousand dollars. It got its share

of all the moneys collected in consequence of these settlements. It made no claim to anything more, until the course of the Washburn & Moen Company was irrevocably fixed, until it had gotten everything that could be had from acquiescence in that course, until its patent had expired, and then, and not till then, did it hint that it was entitled to more. It was with this as with its other claims—nothing suggested until the term of the contract had run, then criticize, then complain, then assert every possible claim. Every argument made, every authority cited against the back damage and the bonus claim holds good here. The contention of the complainant never had good reason to support it, was not so much as suggested when it should have been most vigorously pressed, and it is brought forward when it is too late.

SETTLEMENTS FOR CONSIDERATIONS OTHER THAN MONEY.

It is alleged in the bill that the Washburn & Moen Company settled with infringers and with licensees for other than money considerations, *i. e.*, for machinery, etc., and for terms in the licenses more favorable to itself. The only machines received by the company from infringers were from the Lawrence Wire Company, and these were not received as a consideration at all. They were infringing machines and were surrendered to be broken up. Besides, this was in Judge McCrary's circuit and after the expiration of the Kelly patent.

As to remitting royalties in consideration of licensees conceding more favorable terms of license and taking license for a longer period, etc., there is no warrant for asserting anything of the kind. All the licenses ever issued by the Washburn & Moen Company terminated upon the same day. As time went on the terms were made more and more favorable to the licensees. Royalty was reduced, tonnage was enlarged, and the right granted to manufacture more desirable forms of barbed wire—forms approaching more

nearly to the favorite Glidden structure (351). This is undisputed, and it is manifest that these were all concessions made to the licensees, and not by them, and these were the means of inducing licensees to surrender, in whole or in part, claims under the Haish settlement, and the benefits thus derived by the Washburn & Moen Company were necessarily shared by the Thorn Wire Hedge Company.

Notes Taken for Royalty.

From time to time the Washburn & Moen Company had occasion to take promissory notes from licensees in lieu of cash for accrued royalties. In the main these have been paid, and the Thorn Wire Hedge Company has received its appropriate share of both principal and interest; but there remain a few notes unpaid, because of the insolvency of the makers. It is claimed that the Washburn & Moen Company had no right to accept anything but cash for royalty, so far as the Thorn Wire Hedge Company was concerned, and that, therefore, it became at once liable to that company for its share of royalty whenever it settled with any licensee on any other than a spot cash basis.

There is no warrant in the contracts for such claim. Taking a promissory note does not substitute something else for money as a medium of payment. Nor does the note itself operate as payment or extinguishment of the indebtedness for which it was given, it merely operates to extend the time of payment until the note becomes due, and if payment is not then made, the creditor may sue upon the original demand. So the Washburn & Moen Company incurred no liability to the Thorn Wire Hedge Company by the mere taking of notes for royalty, unless the contract between the parties forbade absolutely the granting of time to licensees and compelled immediate payment or suit to enforce such payment. No such obligation is expressed by the contract. The agreement of 1878 provides for monthly reports by the Washburn & Moen Com-

pany of the sales by licensees, and quarterly payments of "such proportion of the money *that it has received* from its licensees during the previous quarter as royalties, as one-fourth of a cent per pound is to the entire amount per pound which said licensees agree to pay as royalty." The Washburn & Moen Company further agreed to use its "best endeavors" to collect royalty, and failing to collect, after using "due diligence and lawful means," it was released from any further obligation respecting the same. Add to this the consideration that these royalties were to be collected from licensees on wire made and sold from month to month, that it was to the interest of both parties hereto that the business of the licensees should continue and prosper, and that amicable relations should be maintained between licensors and licensees, and it becomes extremely difficult to discover a violation of the contract in taking notes from a licensee who found himself temporarily unable to meet his engagements. Credit is the very soul of business in these times, and in such a relation as existed between these parties and their licensees the necessity of occasionally extending credit is manifest. If this was not contemplated by the contract, then the obligation of Washburn & Moen would have been to pay quarterly to the Thorn Wire Hedge Company its share of the royalties *that had accrued*, but as the obligation expressed is to pay only its share of what *had been collected*, it is obvious that both parties contemplated that royalties would not necessarily be paid as they accrued.

In the course of business the claim was made by the Thorn Wire Hedge Company that where notes were taken for royalty the Washburn & Moen Company should at once transmit to the Thorn Wire Hedge Company its proportionate share. This was done in a letter of April 4th, 1882 (187, 188). The Washburn & Moen Company refused to comply with the request.

November 10th, 1882, the firm of Stiles & Calkins made their report of wire sold during the month of October, and enclosed a note for the royalty thereon (599). On November 13th the Washburn & Moen Company acknowledged receipt, and said: "We regret that we cannot see it to be "our duty to receive a note for your royalties. We have "lately made you very large remittances for royalties, of "which you have the major part, and you certainly ought "to be able to pay us the cash. Please send us your check "for the above amount. At some other season of the year, "when we are not piling up manufactured goods for the "spring, it would be convenient for us to oblige you" (600).

This was replied to November 15th: "We have your "favor of the 13th returning our three months' note sent "you for royalties, with interest added, giving as one of "the reasons for its refusal that you had lately made us a "large remittance for royalties. We think you were a lit-"tle mixed when you wrote this reason, as we have no "kowledge of our firm ever receiving any money from your "company" (600).

Here were A. K. Stiles and J. W. Calkins, the managing officers of the Thorn Wire Hedge Company, asking the Washburn & Moen Company to accept notes for royalty. It is said, however, this was done in their capacity as members of the firm of Stiles & Calkins. Good faith is demanded of them in every relation. If Aaron K. Stiles and John W. Calkins, as members of Stiles & Calkins, thought their request a proper one, they thought so as president and secretary of the Thorn Wire Hedge Company.

The refusal of the Washburn & Moen Company to concede the request of Stiles & Calkins was based on good reasons. It knew that Stiles & Calkins had the means of payment, because it had itself supplied them. This Stiles & Calkins, with keen discrimination, denied. The fact was, however, that the Washburn & Moen Company had

made a large remittance to the Thorn Wire Hedge Company and A. K. Stiles and J. W. Calkins were the majority in interest in the Thorn Wire Hedge Company, and received the major part of the remittance in the form of dividends. The denial of Stiles & Calkins that they had received money from the Washburn & Moen Company was, therefore, mere casuistry.

On October 6th, 1883, the Thorn Wire Hedge Company again called attention of the Washburn & Moen Company to the fact that it had been receiving notes for royalty, and asked that its share of such royalty be at once remitted (188–9).

Mr. Calkins in his testimony says that the Thorn Wire Hedge Company was not concerned in the contracts of Washburn & Moen with their licensees. In this letter he speaks a different language. He says: "The terms of all "your licenses wherever granted, as far as our knowledge "goes, are that cash shall accompany all sales by the 10th "of the following month that sales are made; and any "deviation from this, or any acceptance on your part of "anything else, should have the consent at least of this "company" (188–9).

The Washburn & Moen Company answered on October 8th, and said: "Now, the facts are these: Most of our li- "censees, as you know, have refused to pay any royalty. "It is, of course, your interest, as well as ours, that we "should collect these royalties as far as possible, and al- "though our intention is to receive cash for them, yet when "we are satisfied that a party will not pay us the cash for "the royalties due, owing to different causes, sometimes, "probably, the want of cash means, we have thought it "expedient in those cases to take a note from those parties "for the royalties due, as this was a better course than to "have the royalties remain unpaid, and each month the "amount unpaid increasing.

"We are, of course, under no obligation to guarantee the "payment of these notes, and, therefore, it is not reasonable "that we should become responsible for money, or pay it "to you, until we have ourselves received it. We think "you should be satisfied that we are doing what is for your "interest as well as ours, and be willing to wait for the pay- "ment until these notes are paid.

"Would you not prefer this course to that of our refus- "ing to take the notes, and then probably not getting any "cash, or will you give us an agreement that in case we pay "to you any sums as royalties in advance of the cash being "received by us therefor, that in case we do not receive "the cash, or the notes are not paid to the extent received "by you, you will refund us the amount thus advanced and "paid? This certainly seems a fair course to take. We "see no reason why you should not be allowed your share "of the interest on the notes from the time that the cash "payment is delayed" (538).

No reply was made to this by the Thorn Wire Hedge Company (538), and the Washburn & Moen Company was warranted in assuming that the reasons stated for and explanation made of its course were satisfactory.

February 2d, 1884, the Thorn Wire Hedge Company wrote as follows: "We wish to call your attention to "matter of royalty of H. B. Scutt & Co., limited, and de- "sire to know the nature of settlement with them for the "months of May, June, August and September. If you "have settled by note or notes, we should have our portion "of them turned over to us, or your notes in their place, "or the cash, in any case we should be acquainted with the settlement (540, 541).

This was consenting that notes should be taken, and only asked for a portion of the notes.

February 4th the Washburn & Moen Company answered: "With reference to royalties from H. B. Scutt & Co., lim- "ited, the amount of royalties for the months of May,

"June, July, August and September, is $24,514.54, your "share of which would be $4,085.76. We have had no end "of trouble in effecting settlements with them. We have "been obliged to take their notes, the first one maturing "March 2d, the next March 30th, and the last April 7th. "If any one of these notes would make up your share, we "should be pleased to send it to you, but as you see that "none of them do, there seems to be no other way than for "us to pay you when we get our pay. This, of course, is a "matter always of uncertainty until a note has been paid. "You will be entitled to have your share of interest for the "deferred time. We have done our best to collect money "from these people, but, as we have stated above, all we "have been able to get is notes" (541).

This was apparently satisfactory, for it ended the matter at that time.

May 12th, 1884, the Thorn Wire Hedge Company wrote: "We have always claimed that an acceptance by you of "notes or otherwise from any licensee in lieu of cash for "royalties due at any stated monthly period, did not debar "this company from its rights to demand a money payment "at the next quarterly settlement from you; and with this "view, which I think you will concede is correct, we think "that in every case where settlement is made by notes, "that you should give us the option of taking such notes, "or our proportion of it, as our proportion of the royalty "may be.

"Furthermore, such notes as you have are drawing in- "terest until the time of payment, and, when paid to you, "such proportion as properly belongs, or is due, to this "company, should be forwarded at once, instead of laying "in your hands until the next quarterly report" (546).

May 21st the Washburn & Moen Company answered:

"The case stands like this: We find great difficulty "in collecting royalties of our licensees; many of them "have no cash to send us, or will not send us cash, but will

"only send us notes for royalties, and we think it is for our "interest and your interest that we take these notes, "rather than let the royalties remain unpaid in any way. "*We do not treat these notes as payment for royalties until "the notes mature and are paid, thus reserving to ourselves "all the advantages against these licensees for non-payment "of royalties in case the notes are not paid at maturity.* "Now, as soon as these are paid we credit the licensee with "amount of royalties, and we also credit your royalty to "your account. Now, we presume you will agree with us "that this is the wise course to pursue. The interest on "these notes you should be allowed, and paid your due "proportion of; that, of course, is right.

"Now, you will perceive by reading the seventh item of "our agreement of June 12th, 1883, 'No payments of roy- "'alty on licensed wire to be made until it shall have been "'first collected by said Washburn & Moen Manufacturing "'Company,' so the notes should properly remain in our "hands till paid."

To this no reply was made by the Thorn Wire Hedge Company, and there the matter rested until this suit was about to be instituted.

We submit that the contract with the Thorn Wire Hedge Company was not violated when notes were taken for royalty; and, further, that the officers of the Thorn Wire Hedge Company, by themselves asking that their notes be taken for royalties due from them, by making no objection when the Washburn & Moen Company explained their reason for taking notes, by making no reply when asked whether taking notes was not a wiser course than to allow royalty accounts to accumulate, and by taking their share of these notes, *with interest*, as they were paid, acquiesced in and approved of the conduct of the Washburn & Moen Company.

Losses from Insolvency of Licensees.

Some of the licensees became insolvent and unable to pay in full the royalties due from them. There are not, however, many examples of that kind. It is not pretended that the Washburn & Moen Company licensed anybody known at the time to be irresponsible. The case is simply that, out of the fifty or more persons licensed at different times, some afterward became insolvent. The contract of 1878 expressly releases the Washburn & Moen Company from responsibility for such losses: "And the said party of the "second part hereby agrees to waive, and does hereby re- "linquish any and all claims on the said first party for roy- "alties on barbed wire made by its licensees, which it may "so fail to collect, after using due diligence and lawful "means to collect same, but in that case the party of the "first part shall make a report to the party of the second "part of all such royalties as it shall fail to collect, and "from whom due, and the cause of such failure to collect."

From time to time the Washburn & Moen Company made report of the condition of the accounts of the licensees, and these reports were accepted as sufficient. It could not, however, be reasonably claimed that if it has failed to make these reports, it would, therefore, be liable for losses of royalty. Its duty was to "use due diligence and lawful means to collect," and these failing, it was absolutely absolved.

It is not shown, nor sought to be shown, that a single penny of royalty which was not collected might have been collected if due diligence, etc., had been employed. The complainant has proceeded in the view that if it showed wire sold by licensees on which royalty had not been paid, the burden was then upon the defendant to excuse itself from liability therefor.

The licensees involved under this head are the National Wire Company, the Novelty Manufacturing Company, the Mutual Manufacturing Company, Shreffler & Van Fleet,

the Western Union Wire Fence Company and H. B. Scutt & Company, limited.

The National Wire Company failed and made an assignment. The Washburn & Moen Company filed its claim for royalty and received its dividend, of which the Thorn Wire Hedge Company received its proportionate share (621). More than this could not have been done.

The same is true of the Novelty Manufacturing Company (621).

The Mutual Manufacturing Company failed and made an assignment. The Washburn & Moen Company has filed its claim, but nothing has so far been paid upon it (621).

Schreffler & Van Fleet are in arrears for royalty. They were unable to pay cash, and gave their notes. So far as these notes have been paid, the Thorn Wire Hedge Company has received its share (621).

The Western Union Wire Fence Company failed to pay some royalty because insolvent.

In the last two cases named no legal proceedings have yet been instituted. The royalty unpaid by Schreffler & Van Fleet is on wire made from and after November 1st, 1884. The royalty unpaid by the Western Union Wire Fence Company is on wire made from and after August, 1884. The obligation of the Washburn & Moen Company was to require these parties to agree to pay the royalty, and "to use its best endeavors to collect the same." It did make them agree to pay royalty, and has not collected that royalty simply because the parties were unable to pay. It has been held, where notes have been guaranteed to be "good and collectible," and the maker is in fact insolvent, it is not necessary for the holder to sue the maker as a condition precedent to recovering on the guaranty. (*Sanford vs. Allen*, 1 Cush. 473; *Marsh vs. Day*, 18 Pick. 321; *McDoal vs. Yeoman*, 8 Watts, 361). The obligation of the defendant was to do whatever was reasonable under the circumstances. Legal process in the case of a hopeless insolvent is of no avail.

The failure of all the parties named under this head to pay the royalties in question was duly reported to the Thorn Wire Hedge Company on February 26th, 1885 (193–5). No wish that suit should be brought was ever expressed by the Thorn Wire Hedge Company. It was content, because it knew that the Washburn & Moen Company, as a matter of self-interest, would do its best.

There has been no attempt to show that a penny of this royalty has been lost from any default or neglect of the defendant, and, in the absence of such showing, it cannot be held liable.

The H. B. Scutt & Company, limited, were sued for their arrears of royalty. Pending this suit they became financially embarrassed and unable to pay in full. In this condition of things a settlement was effected, and the claim against them compromised. The settlement made was the best that could be obtained (343). Mr. Geo. T. Oliver, of H. B. Scutt & Company, limited, called by complainant, testifies that the settlement was the best the Washburn & Moen Company could do (434). The Washburn & Moen Company was told that if it attempted to enforce payment the licensee would take steps to protect other creditors, and in that event the Washburn & Moen Company would get nothing (434). Under such circumstances the settlement was made, and the Thorn Wire Hedge Company received its proportion of what was paid.

Claims for Bonus and Back Damages Collected After July 27th, 1881.

The Thorn Wire Hedge Company makes claim to a share of the bonus and back damage money collected after July 27th, 1881. The settlement of that date expressly released all claims for moneys which the Washburn & Moen Company should thereafter "receive for bonuses or premiums paid for licenses." It also released any claim for back damages which should be recovered on account of infringe-

ments committed prior to the date of that agreement. The Indiana Barb Wire Fence Company thereafter paid $567.69 back damages, but it is not shown how much or what kind of wire was involved in the settlement or when it was sold. It is not shown that this wire infringed the Kelly patents, and for aught that appears it was made and sold prior to July 27th, 1881. The Southern Wire Company paid $15,000, but this was after the Kelly patents had expired. The individuals interested in the Southern Wire Company had been previously sued for infringements of the Kelly patent, and it was in the suit against them that the Kelly patent was held invalid. Of course no back damages could be collected from them, or from any one else in that district, on account of the Kelly patents. Afterwards the unreissued Glidden patent, No. 157,124, was sustained by Judge Brewer, of that circuit. This was in May, 1885 (24 Fed. Reporter, 23). Thereafter, in December, 1885, the Southern Wire Company, which had been infringing the Glidden patent, settled and took license. The Kelly patents were dead for every purpose within that district. If back damages are the equivalent of royalty, if the wire on account of which the damages were paid was in effect licensed, it was not so licensed under the Kelly patents. The Thorn Wire Hedge Company is asking for something which it has been judicially decreed not to be entitled to, and which the Washburn & Moen Company could not in the first instance collect.

The Brinkerhoff Strip.

It is admitted that the Washburn & Moen Manufacturing Company made and sold what is known as the "Brinkerhoff strip" fencing without paying royalty thereon to the Thorn Wire Hedge Company. A sample of this strip is in evidence. It was patented April 8th, 1879, No. 214,095 (969), and the question is whether it was within the contract between the parties.

The contract of July 3d, 1876 (4), provides, in section two, that royalty shall be paid by the Washburn & Moen Manufacturing Company on all "barb fence wire" which shall be made and sold "under said several letters patent, or any of them." The letters patent referred to are re-issue No. 6,902, dated February 8th, 1876, re-issue No. 7,035, dated April 4th, 1876, re-issue No. 7,036, dated April 4th, 1876.

Some evidence was introduced for the purpose of establishing a contemporaneous construction of the contract by the parties themselves in conformity with the complainant's views. The testimony falls far short of this.

The Brinkerhoff strip was not known in July, 1876, at the time when the contract between the parties was made (93).

Mr. Stiles says (239), "I recollect having a talk with Mr. Charles F. Washburn about 1879, in regard to the Brinkerhoff barbed fence, and he replied—I don't remember the exact language,—but to let that matter go until some future time; there would be time enough to settle that bye and bye, in regard to whether it was an infringement or not, whether it was included in our contract."

Mr. Calkins testifies (104), that he had a conversation with Mr. Washburn, in which the latter said that they would first get through with those known to be infringers, and would settle the Brinkerhoff matter afterward.

Subsequently (382, 383) the Washburn & Moen Company asked the Thorn Wire Hedge Company to consent to a license to the Brinkerhoff people, *without royalty, so far as the Thorn Wire Hedge Company was concerned.* One of the reasons urged was that it was a grave question whether they infringed on any of the patents owned by the Washburn & Moen Company. Several letters of this tenor were written by the defendants to the Thorn Wire Hedge Company, and one (391, 392) to the Ohio Steel Barb Fence Company, then a licensee in which the Washburn &

Moen Company recapitulate the advantages to all concerned of licensing the Brinkerhoff people, and says that the latter only wish to be licensed under two of the patents, — the *Hunt and Kennedy*. The consent asked for was not given, and the matter was dropped.

But the Washburn & Moen Company, impressed with the necessity of securing control of this strip fencing, for the protection of themselves and their licensees, did so, at their own cost, under contract with the Brinkerhoff people, April 29th, 1879 (384).

It is hardly necessary to argue that, in the conversations and correspondence referred to, there is nothing in the way of a practical construction of the contract, favorable to the complainant, between the parties. It all amounts to this: The Washburn & Moen Company did not own the Brinkerhoff patents. It undoubtedly desired a construction of its own patents broad enough to cover the strip fencing, and recognized the necessity of controlling this style of fencing, but the question of infringement was very doubtful, and, in consequense, suit was not brought. Then an opportunity presented itself to settle the matter by granting a license to the Brinkerhoff people at a low rate of royalty. The Washburn & Moen Company was in favor of doing so, *provided the Thorn Wire Hedge Company would not set up any claim to royalty*. And it appears that the Brinkerhoff people only wanted a license under the Hunt and Kennedy patents.

After purchasing the Brinkerhoff patents—which it did on its own account, and not jointly with Mr. Ellwood, as was the case with all the barbed wire patents—the Washburn & Moen Company engaged to a limited extent in the manufacture and sale of the strip. It issued no licenses therefor to any one.

In a letter to the Washburn & Moen Company, of October 3d, 1881 (186), the Thorn Wire Hedge Company asks

"if the Brinkerhoff barbed strip is included in your report to us of sales of barbed wire."

October 7th, 1881, the Washburn & Moen Company replied (187): "With reference to the Brinkerhoff barb strip, it has not been included in our reports to you, as it in no sense is subject to the Kelly patent."

October 26th, 1881, the Thorn Wire Hedge Company replied (187):

"With reference to the Brinkerhoff strip, which you state to us for the first time, that you have not been reporting under our agreements, we confess was a surprise to us, as it is our belief that the Brinkerhoff strip, as now made by you, is clearly covered by our several agreements, and that you should pay us the royalty thereon, the same as on the other forms of barbed wires. We trust that you will give this matter further consideration."

Here the matter rested for five years until October 29th, 1886, when the Thorn Wire Hedge Company wrote (550):

"We also call your attention to a matter *which has been brought to our notice more fully of late, i. e.*, that in making your report of sales to us between the years 1881 and February, 1885, that you have failed to include the Brinkerhoff barb wire made by you; and as we learn there was over 9,000,000 pounds of this sold, it would be well for you to report on same."

Other letters followed which it would be idle to consider, as the parties were then in controversy over the matters involved in this suit.

Our first proposition is that the Brinkerhoff strip made and sold by the defendant did not infringe any claim contained in any of the Kelly patents, embraced in the agreement of July 3d, 1876, and, therefore, that the Washburn & Moen Manufacturing Company was not bound to pay royalty to the Thorn Wire Hedge Company, by reason of such manufacture and sale.

The first and most important of the Kelly patents is re-

issue No. 6,902, February 8th, 1876, original No. 74,379, dated February 11th, 1868.

This patent has four claims. It will not be asserted that the third and fourth claims are infringed by the Brinkerhoff strip, because a glance will show that they cover a combination which is not found in the Brinkerhoff structure; consideration of the second claim may also be dismissed, because if the first claim is infringed, the Brinkerhoff strip cannot be used without infringing the second.

The question at issue then, is this: Does the Brinkerhoff strip made and sold by the defendant, and shown in patent No. 214,095, of April 8th, 1879, infringe the first claim of the Kelly re-issue No. 6,902? We confidently assert that it does not, and for the following reasons: The claim is as follows:

"I claim the combination, substantially as described, of the fence wire D, and a series of thorns E rigidly fixed thereto, for the purpose herein set forth."

In view of the state of the art as it is known and as disclosed in this record (764, 797, 799, 802), this claim cannot be construed to cover broadly a barb fixed to a wire, but must be confined to the means specified, which may be best described in the words of the specification (809):

"E, E, etc. (referring to the thorns), are small pieces of iron or steel * * * * and are each provided with a hole corresponding to the size of the wire, but a little larger, so that they may be introduced easily upon the wire either by proper machinery or by hand. These pieces, after being strung on the wire at distances about six inches apart, are compressed laterally upon the wire by a blow of a hammer, or otherwise, so as to flatten the hole *e*, and also correspondingly flatten the wire at the point where this adjunct is to stand. I term these pieces 'thorns,' and it will be observed that each presents two sharp points."

In short, this claim is limited to a fence wire upon which barbs are fastened by first being strung upon the wire and

then the barb, and incidentally the wire laterally compressed or flattened by a blow.

The alleged infringing structure is in evidence, and also the patent upon it, on page 969 of the record.

It is composed of a single strip or ribbon of metal, to which is attached, at intervals, barbs made of sheet metal, and secured to the strip or ribbon by clips or lips integral with the body of the barb, and which partially embrace the strip. The strip is twisted, to prevent any lateral movement of the barbs upon it. The barb is structurally unlike the Kelly barb, and the manner of securing it to the fence strip totally different. It cannot rotate, because the strip is flat.

The principal member of the Kelly fence is a rouud wire, and the principal member of the Brinkerhoff fencing a flat strip; and it is clear that no other form of wire than a round was contemplated by Kelly, as is evident from the means used in securing the barb in place. Although it may be conceded, without in the slightest degree weakening the position of the defendant, that, if it were practicable to cut a long, narrow, rectangular slit in a metal barb, and then to string the barb upon a metal ribbon, securing the barb in place by compression, the product, while commercially worthless, might perhaps come within the first claim of the Kelly re-issue patent. But can it be supposed for a moment that a suit could be brought upon any claim of the Kelly re-issue patent, and recovery had against a person making and selling the Brinkerhoff strip fencing?

The next Kelly patent re-issue, Div. A, 7,035, dated April 4th, 1876, original dated November 17th, 1868, is for a thorny fence wire, consisting of a flat wire through holes in which barbs are inserted, and there held by compressing the fence wire. This requires no discussion.

The third and last Kelly patent is re-issue Div. B, 7,036, of April 4th, 1876, original dated November 17th, 1868, and is for "thorns or barbs for wire fence, made from wire,

and provided with cut beveled points at each end, substantially as and for the purpose described."

And it is stated in the specification that "the invention consists in barbs or thorns made from wire, by cutting off the latter obliquely in suitable lengths, the barbs being pointed at each end and by means of the oblique cut, *without the necessity of further manipulation.*"

The barbs so made were to be thrust through holes in the fence wire, and there held by compression.

In view of the prior patents to Hunt, Smith and Kelly himself, it could be hardly contended that this patent, under the most favorable construction, could be held to cover more than a barb made in the manner specified and adapted to be attached to the main fence wire *without further manipulation;* but the court, in the case of Washburn & Moen Manufacturing Co. vs. Haish (4 F. R. 900), did not think it worthy of any consideration, and held it invalid (772).

It is confidently submitted that the claim never had any merit, because the Brinkerhoff strip did not infringe any of the Kelly patents, and was not within any of the contracts between these parties.

Our second proposition is that, even had the claim originally possessed merit, this complainant is by its conduct estopped from now setting it up, and has been guilty of such laches that it can have no standing in a court of equity.

The testimony clearly sets out the facts, which are that the Washburn & Moen Company acquired the Brinkerhoff patents April 29th, 1879; that the company began to sell this fencing in May, 1880, and continued to do so until February 12th, 1885, at which time the sales had amounted to 8,056,654 pounds (390), 5,272,130 pounds having been sold prior to June 1st, 1883, and 2,793,560 pounds between June 1st, 1883, and February 11th, 1885.

As already stated, the complainant, under date of October 3d, 1881 (186), asked if the defendant included

the Brinkerhoff strip in its reports of sales of barbed wire. The defendant replied, under date of October 7th (187), that it had not, and insisted that the Brinkerhoff strip was not within the contract. There the matter dropped, and the Washburn & Moen Company continued to manufacture and sell the strip upon the understanding that no royalty was to be paid the Thorn Wire Hedge Company.

This construction of the contract by the Washburn & Moen Company was apparently acquiesced in, and no contrary view was expressed by the Thorn Wire Hedge Company until October 29th, 1886, in the letter of that date, already referred to.

During this period of five years, the regular monthly settlements between the parties had been made, excluding any account of the Brinkerhoff strip; and differences arising from time to time were adjusted.

June 4th, 1883, the Kelly re-issue patent was declared invalid, and it was optional with the defendant to discontinue the payment of royalty; and, as has been stated in connection with another branch of this case, the Thorn Wire Hedge Company at this juncture was willing to make any concessions demanded by the Washburn & Moen Manufacturing Company, if by so doing the payment to it of any royalty might be continued.

A new contract was made June 12th, 1883, and it will hardly be pretended that the Brinkerhoff strip was included in this contract, and it is certain that, had the defendant company supposed that the complainant still made any claim for royalty upon Brinkerhoff strip manufactured prior to this time, it could then have easily secured a release.

This claim cannot be enforced—

1. Because it was never within the terms of the contracts between the parties.

2. Because the complainant has acquiesced in a con-

struction of the contracts which excludes this style of fencing.

3. Because the acceptance, without objection by complainant, of monthly payments of royalty, is now conclusive upon it.

4. Because the complainant has been guilty of laches, and it is now impossible to restore the parties to their original status.

Most applicable is the language in Vigers vs. Pike, *supra*:

"A man who, with full knowledge of his case, does not complain, but deals with his opponent as if he had no case against him, builds up, from day to day, a wall of protection for such opponent, which will probably defeat any future attack upon him."

In Conclusion.

The great length of this argument has seemed to be unavoidable. The record it has to deal with is voluminous; business relations extending over ten years, and comprehending transactions of great variety and importance, are involved. Still, the questions presented are not difficult of determination. The truth is easily discernible, despite some conflict of testimony, and the rules of law applicable to the case are those fundamental ones which insist upon good faith and fair dealing among men. If it shall be permitted, as in this case it is sought to do, to overturn compromises deliberately made, if one of the parties to a joint undertaking may, after its termination, call in question acts done during its pendency, by common consent and for the common interest, it will be destructive of that confidence which is the basis and support of all industrial and commercial enterprise.

F. W. LEHMANN,
C. G. WASHBURN,

Attorneys for Appellee.

FILED.
APR 26 1895
JAMES H. McKENNEY,
CLERK.

Supreme Court of the United States.

OCTOBER TERM, A. D. 1894.

General No., 14,894; Term No., 322.

THE THORN WIRE HEDGE COMPANY, APPELLANT,

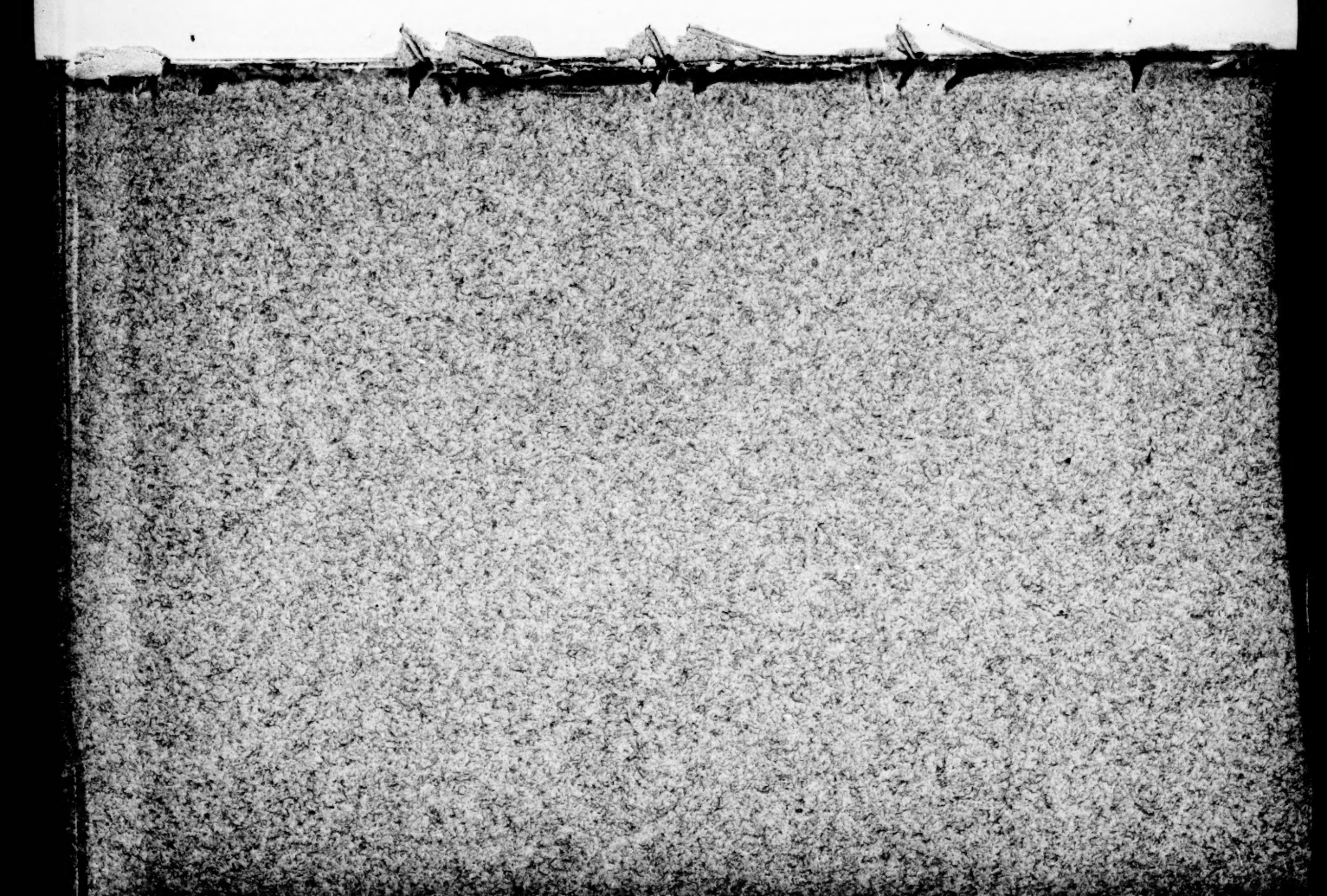
vs.

THE WASHBURN AND MOEN MANUFACTURING COMPANY, APPELLEE.

Supplemental Statement and Argument for Appellee.

F. W. LEHMANN,
C. G. WASHBURN,
Attorneys for Appellee.

JUDD & DETWEILER, PRINTERS, WASHINGTON, D. C.



IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1894.

General No., 14,894; Term No., 322.

THE THORN WIRE HEDGE COMPANY, APPELLANT,

vs.

THE WASHBURN AND MOEN MANUFACTURING COMPANY, APPELLEE.

Supplemental Statement and Argument for Appellee.

We had until now no opportunity to see the statement and argument for appellant. There are some matters contained in it which need correction or explanation.

And, first, as to —

MR. STILES' RELATION TO THE CASE.

While Mr. Stiles is interested adversely to the Washburn and Moen Company in this controversy; while almost throughout the entire period involved he was a large stockholder, a director, and the president of the Thorn Wire Hedge Company; while he was called three times as a witness in the case and always by the Thorn Wire Hedge Com-

pany; while he is a member of the committee of that company to conduct this very litigation, still it is urged that what he said and did when the matters under consideration were taking place should not be considered as said and done on behalf of the Thorn Wire Hedge Company, but rather as done on behalf of the Washburn and Moen Company.

This because the Washburn and Moen Company, after it agreed to purchase the Kelly patents (the preliminary agreement is of date June 29, 1876), did on the 1st of July, 1876, employ Mr. Stiles at a stated salary to assist in the litigation that was to follow, involving those patents.

Mr. Stiles' associates knew that he was looking after that litigation, but it is said that they did not know he was being paid for it.

If this is a material circumstance, it is material to know when this pay ceased. We say it ceased December 4, 1878, and appellant's counsel say it continued to December, 1880.

Nothing occurring prior to December 4, 1878, is in controversy here, so that if Mr. Stiles' pay ceased at that date he is in this case, as to every matter of controversy in it, solely as a representative of the Thorn Wire Hedge Company, interested in that company and acting for it throughout.

Mr. Stiles testified (238):

"The Washburn and Moen Manufacturing Company paid me a salary for my services for two years, I think, under a contract which I made with them in writing, and paid my expenses, and they always paid my expenses after that, and what I charged them for my services. I made them some charges sometimes, but I have forgotten what they were."

On cross-examination he said (243):

"I think they paid me for two years a salary. That period ended before 1880; that is, I thought I could not conscientiously charge Washburn and Moen and take the money, as I could not devote the time, and I got a better

man in the meantime, Mr. Millington. I employed Mr. Millington. I did at first, and afterwards I recommended that they employ him."

From this appellant argues that Mr. Stiles was in the Washburn and Moen Company's employ continuously until December, 1880.

Mr. Stiles was testifying entirely from recollection and does not assume to be accurate as to details.

Mr. C. F. Washburn testifies on this subject as follows:

"Mr. Stiles was in our employ, in connection with that litigation, from July, 1876, to December 4, 1878" (437). "Since December 4, 1878, the time the regular employment of Mr. Stiles by our company ceased, as shown by our books, we paid him as an individual, for expenses incurred in attending to some affairs for us, as shown by his statement rendered in September, 1879, $88.20. We paid this bill in October. The bill is Exhibit '231.' Between the date of the termination of his employment, December 4, 1878, and the date of paying the statement, Exhibit '231,' we did not pay him any money. No payments were made to Mr. Stiles on any account whatever after the payment of statement, Exhibit '231.' There was no contract between our company and A. K. Stiles made after or subsisting after December 4, 1878." (486 and 487.)

Reference to the exhibit in question, which is to be found on pages 608 and 609 of the record, shows that it was simply to reimburse Mr. Stiles for expenses incurred in looking after litigation. (See also Exhibit 138, Record, p. 567.)

Mr. Washburn's testimony is explicit and is from the books, not from his recollection. Fairly considered, it is not contradictory of Mr. Stiles' testimony, but only makes certain what that left uncertain.

Mr. Stiles was recalled to the witness stand after Mr. Washburn had testified, and there was no attempt in anywise to meet by him the statements of Mr. Washburn.

We submit, there is no warrant of fact for the statements

in appellant's argument, of which the following, found on page 45, is an example:

"The proposed reduction of appellant's royalty to fifteen cents was brought up before its directors for action. The minutes of this meeting recite that Stiles (*as an employé of appellee*) stated to the board," etc., etc. [The italics are ours.]

The controversies herein arose after January, 1881. We need to insist only that when after that time Stiles acted on behalf of the Thorn Wire Hedge Company he is chargeable with whatever knowledge he possessed affecting the matter in hand. His fidelity to that company was guaranteed by his interests. His share of the dividends paid by it could not have been less than $75,000 in 1881, for the company was getting about $200,000 in royalties, and to this sum must be added the profits of its manufacturing business.

SUBSIDIARY PATENTS

were acquired by the Washburn and Moen Company whenever possible.

That this was for the interest of all concerned in the receipt of royalties seems too plain for discussion; yet it is the subject of frequent animadversion by appellant's counsel as something done by the Washburn and Moen people peculiarly in their own interest.

Mr. Washburn testifies respecting this:

"Our object in purchasing these patents was to control the business and to carry out the spirit of the understanding we had with all those to whom we were to pay royalties, and that our licensees might be fully protected in the manufacture of barbed wire upon which they were paying us royalties, so that it would be possible for them to keep their agreements with us." (438.)

Mr. Stiles, as an examination of the correspondence discloses, repeatedly urges the purchase of patents, and, speaking of the acquisition by Washburn and Moen of patents generally, he says:

"I thought Washburn and Moen Manufacturing Company would use those patents to preserve the interest, as far as possible, of the persons interested in receiving royalties. I supposed they would have to under their contract. They acquired those from time to time; more particularly for themselves to be in a position to keep on in the business after the first patent expired. My understanding generally about that was that they agreed to go on and do all this and purchase all the patents they could and protect the patents. *That is the reason why we traded with them,* and that is what they agreed to do—to do everything they could, and to protect the barbed-wire business, and to acquire all the patents; that is what they said they would do—acquire all the patents they could to protect the business. *That is one of the reasons we made the arrangement with them.*" (277.)

The Thorn Wire Hedge Company was interested in barbed wire as a manufacturer and merchant. It had an unlimited license. Its sharpest competitors were infringers—moonshiners they were sometimes called. The moonshiners cut prices to induce people to take their wares. The manufacturers operating under patents met this with suggestions of the risks incident to handling unlicensed wire. As showing that the interest of the Thorn Wire Hedge Company in the patents was not limited to the Kelly, we quote from one of their trade circulars:

"Seventh. It will be seen upon examination of the claims of patents, which are furnished all who ask for them, that the Washburn and Moen Manufacturing Company also hold all the leading special patents on barb wire and machinery, which alone would cover nearly all the barb wires, were no broad-claim patents in existence."

CONTRACT OF AUGUST 7, 1879.

The only real contemporaneous testimony in this case showing why licenses were not granted to the persons who it was expected would take them when this contract was made is found in the letter of Calkins dated August 27, 1879. "Matters and things generally look pretty blue. Washburn failed to make any arrangement with the Union, as they only offer ½ cent for license." (684.)

One-half cent meant fifty cents per hundred pounds, or less than the royalties Washburn and Moen had to pay, and less by twenty-five cents than was contemplated by the contract in question.

On page 53 of appellant's argument it is said: "Having obtained appellant's contract, it (the appellee) says: We will not issue license until three-fourths of the Union take a license. What covenant had appellee with appellant making its reduction of royalty to 75 cents dependent on any particular number of infringers taking license?"

This suggestion, attributed to the Washburn and Moen Company, came from the Thorn Wire Hedge Company. October 9, 1879, Mr. Stiles writes that Sears will make this proposal: "The Marshalltown Company will come in and take license at 75 cents, as proposed, with this outside agreement: that he is not to pay any of the money until the Union folks come in" (498). And on the 20th of the same month, recurring to this matter, he says: "I might have stated in my letter of the 9th that the parties named thought when three-fourths of the Union had taken license they should pay also. It was my idea that no under royalties would be demanded until received." (568.)

Responding to this on October 22, Mr. Washburn says:

"If the parties you refer to have not faith enough in our patents or faith enough that three-fourths of the Union will

take a license, they had better take no license at all until they are in a different condition of mind with reference to both those points."

Thus it will be seen that this suggestion was made by the Thorn Wire Hedge Company and was rejected by the Washburn and Moen Company.

CONTRACTS WITH SCUTT AND OHIO COMPANY.

It is said by appellant's counsel that the real reason for not at once reducing the royalty under the 1879 contract to 75 cents is that the Washburn and Moen Company had disabled themselves from so doing by agreements with the Ohio Company and with Scutt.

As a matter of fact, the agreement with the Ohio Company was not in force. The agreement in question was part of the license contract. The history of the matter is this: The Ohio Company was licensed in December, 1878. It reported to and inclusive of May, 1879. It paid royalty to and inclusive of April, 1879. After May, 1879, it repudiated its license obligations, and in August, 1879, the Washburn and Moen Company annulled the license.

Counsel say on page 56, however, that the license remained in force until January 27, 1881, when it was cancelled, and they quote from an agreement of that date to that effect. But that same agreement recites in a prior paragraph:

"Whereas said Ohio Steel Barb Fence Company did subsequently willfully and without any good or reasonable cause violate the conditions of said license, and also the conditions of said agreement, in consequence of which the said Washburn and Moen Manufacturing Company cancelled and annulled both said license and agreement." (577.)

This shows that the license and agreement had been theretofore cancelled. Of this the Thorn Wire Hedge Company

was advised at the time. October 4, 1879, Mr. Washburn wrote that the Ohio Company had stopped paying, and that suit had been brought against it for infringement (439). December 31, 1880, Mr. Moen wrote, saying: "We beg to advise that the Ohio Steel Barb Fence Company are not manufacturing under license from us, we having cancelled our license to them in August, 1879." (440.)

As to Scutt, the agreement was that no licenses beyond a certain amount should be granted without the consent of a majority of the existing licensees, including the Washburn and Moen Company. At the time the agreement was made the parties, a majority of whom should control, were the Washburn and Moen Company, I. L. Ellwood & Co., the Thorn Wire Hedge Company, H. B. Scutt & Co., and the Ohio Company. The first three, all receivers of royalty and identical in interest, the Washburn and Moen Company being a partner in I. L. Ellwood & Co., constituted a majority, and could therefore issue such licenses as they saw fit.

All this was known when

THE SETTLEMENT OF JULY 27, 1881,

was made.

Stiles and Calkins both say they knew nothing of these contracts until long after that settlement; Stiles says not until 1884 or 1885; but on his examination as a witness he was confronted with a book in which these agreements were printed, and that, too, printed by the Thorn Wire Hedge Company, a copy of which was given by them to their counsel, Lyman Trumbull, when they consulted him in April, 1881. (262.)

ROYALTY FOR MAY, 1883.

In appellant's brief a claim is made (pp. 166–168) for 10 cents per 100 pounds additional royalty on wire made by licensees during the month of May, 1883. The royalty was reported to the Thorn Wire Hedge Company at 5 cents, and receipted for by them as correct; but counsel say that the royalty was reduced from 15 cents to 5 cents on June 12, 1883, to take effect on June 1, and that settling for the royalty at 5 cents was a mistake or oversight.

No claim on account of this matter is made in the bill, and no attention was called to it in the testimony, and we did not know there was such a claim in the case.

Nobody says it was a mistake, and it certainly was not an oversight. There being no claim made in the bill and no suggestion of it in the testimony, we took no testimony with reference to it, but enough appears incidentally to show that the parties acted consciously and intelligently respecting it.

The reduction of royalty to licensees to 30 cents was made to take effect on May 1st, and the parties to this suit evidently intended that the reduction as between them to 5 cents as to the product of licensees should take effect on the same date.

The first report of royalty due on product of licensees rendered after June 12, 1883, was made up as of July 31 (1214). With one exception, this is limited to wire made in March, April, and May, 1883. The exception is the Missouri Wire Fence Company, as to which the report is for the previous January and December. Now, for the months of December, January, March, and April the royalty is plainly stated at 15 cents, and for the month of May it is as plainly stated at 5 cents. Just when this was sent to the Thorn Wire Wedge Company does not appear, but probably August 15, for on August 18 the report is criticised for failure to

include certain licensees, showing that is was carefully examined. (533.)

All the succeeding reports where they include royalty for May, 1883, state the rate at 5 cents.

Another matter shows that the attention of the Thorn Wire Hedge Company was called specifically to this thing.

At some time previously the Thorn Wire Hedge Company proposed that inspectors should be placed in the factories of licensees to see that they reported all the wire made and sold, and it agreed to bear its proportion of the expense—that is, to contribute to the expense in the proportion of its royalty to the entire royalty paid by the licensees. When the royalty of the licensees was 75 cents and the royalty to the Thorn Wire Hedge Company was 15 cents, its share of the inspectors' expenses would be one-fifth; when its royalty was 5 cents and the licensees had to pay 30, its share would be one-sixth. The licensees paid only 30 cents for May, and if for that month the Thorn Wire Hedge Company was to get 15 cents, its share of the inspection expenses would be one-half.

Now, it appears from Exhibits 66, 68 and, 69 to Mr. Washburn's testimony (537, 538, and 539) that in October, 1883, the Washburn and Moen Company sent a statement of inspectors' expenses from April to September, inclusive, and charged the Thorn Wire Hedge Company with one-fifth of all. The latter company makes a detailed correction of this statement, charging itself with one-fifth, *i. e.*, $\frac{1}{7}\frac{5}{5}$ for April, and with one-sixth, *i. e.*, $\frac{5}{3}\frac{}{0}$ for each and every succeeding month.

In the letter transmitting this corrected statement the Thorn Wire Hedge Company says:

"The difference now being mainly that we should pay only one-sixth of these expenses from May 1 afterwards so long as our proportion of royalty is only as 5 cents is to 30 cents." (539.)

Thus it appears that there was no oversight about this matter. The Thorn Wire Hedge Company cut down the charge for inspection expenses for the month of May from one-fifth to one-sixth because its royalty was for that month as 5 is to 30. If its royalty had been as 15 to 30, it would, of course, have raised them from one-fifth to one-half.

The royalty paid by licensees being reduced to thirty cents as of May 1, 1883, it was evidently agreed that as to the licensees the royalty to be paid by the Washburn and Moen Company should be reduced to five cents. Just when or how this was done does not appear, because this claim was not dreamed of when the testimony was taken; but it does appear that the royalty for this month as to the licensees was plainly stated in the current account; that the account was carefully scrutinized by the Thorn Wire Hedge Company at the time and was accepted and receipted by it as correct, and that other accounts, viz., the inspection accounts, were adjusted upon a like basis as being the correct one; and this being so, we submit that a claim of mistake not made until years afterward, and having no support except in the suggestion of counsel, is not entitled to serious consideration.

SETTLEMENTS WITH LICENSEES.

We have shown the circumstances under which the settlements with the licensees on account of the Haish matter were made, and that they were all made with the knowledge and consent of the Thorn Wire Hedge Company.

As to the settlement made with H. B. Scutt & Co., Limited, of Pittsburgh, counsel quotes a letter on pages 224 and 225 of his argument, in which the Thorn Wire Hedge Company apparently objects to what has been done.

But this settlement was expressly authorized by it. The parties in interest in the Scutt concern at Pittsburgh were the Olivers.

On December 23, 1882, Stiles wrote to the Washburn and Moen Company, earnestly urging it "to ask George Oliver to come to Worcester and see if you cannot make a settlement of the matter in some way that will be satisfactory. * * * * * * * * * * *

I feel that it is a critical time to have any suit with the Olivers, and Mr. Oliver expressed a willingness to go to Worcester and see if the matter could not be amicably arranged." (529 and 530.)

On the 26th Stiles writes again to urge a settlement and an adjustment of all differences. (530.)

In a second letter written on the 28th Stiles, having seen George Oliver, becomes very urgent. He says:

"I advised that W. & M. invite him at once to come to Worcester. They have undoubtedly been too hasty in this matter and hell will be to pay, sure enough." (235.)

As soon as they could after this, and on the best terms they could, the Washburn and Moen Company did settle with the Olivers, and so under like conditions and in like manner they settled with other licensees.

Complaint of their course of conduct comes too late and should not be regarded.

F. W. LEHMANN,
C. G. WASHBURN,
Attorneys for Appellee.

Office Supreme Court U. S.
FILED.
APR 26 1895
JAMES H. McKENNEY,
CLERK.

Supreme Court of the United States.

OCTOBER TERM, 1894.

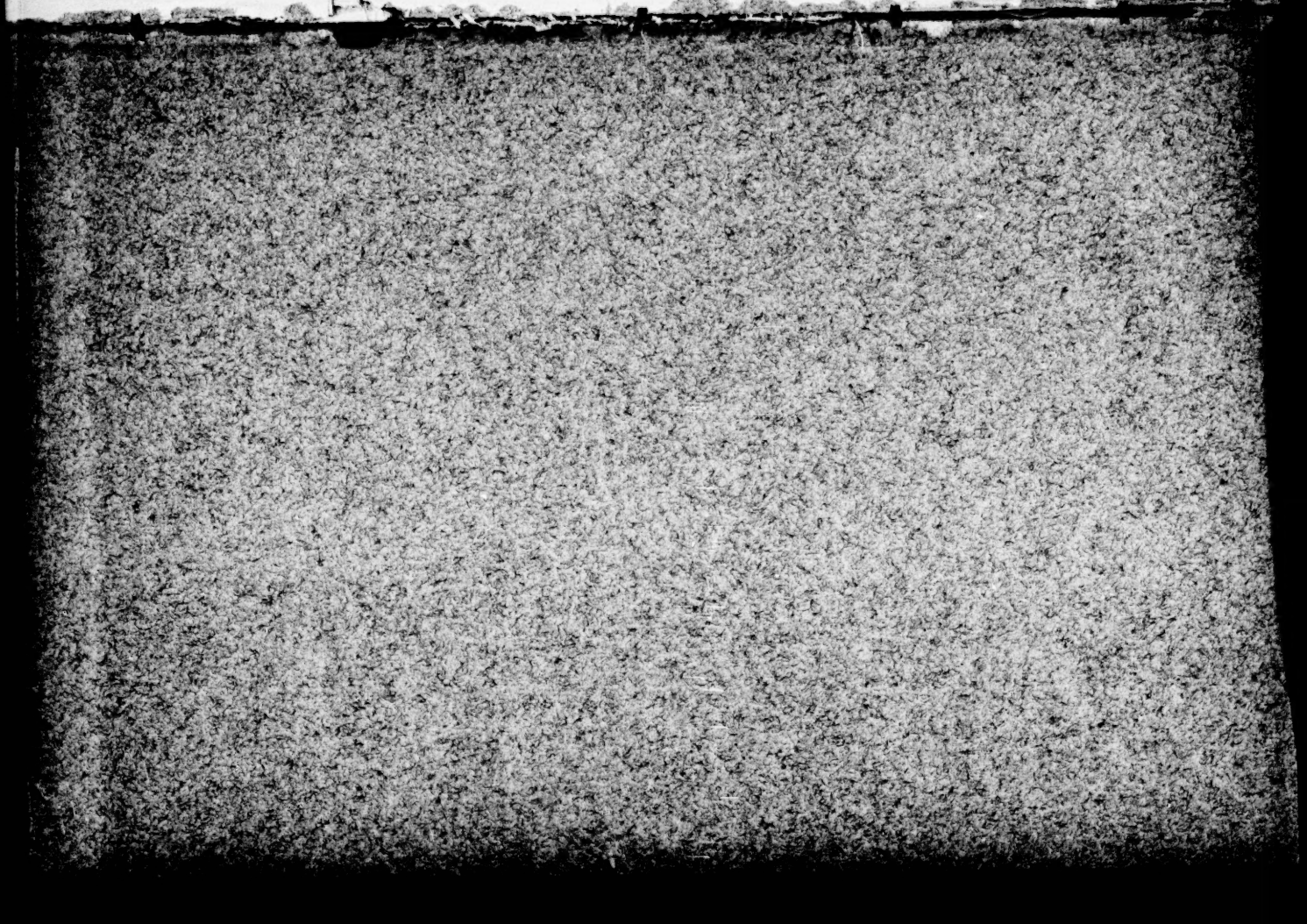
THORN WIRE HEDGE COMPANY, *Appellant*,
vs.
THE WASHBURN AND MOEN MANUFACTURING COMPANY, *Appellee*. } No. 322.

THE WASHBURN AND MOEN MANUFACTURING COMPANY, *Appellant*,
vs.
THE THORN WIRE HEDGE COMPANY, *Appellee*. } No. 323.

REPLY TO ARGUMENTS FILED APRIL 11 AND APRIL 13.

GEO. C. FRY,
Counsel for Thorn Wire Hedge Co.

JUDD & DETWEILER, PRINTERS, WASHINGTON, D. C.



IN THE

Supreme Court of the United States

OCTOBER TERM, 1894.

THORN WIRE HEDGE COMPANY, *Appellant*,
vs.
THE WASHBURN AND MOEN MANUFACTURING COMPANY, *Appellee*. } No. 322.

THE WASHBURN AND MOEN MANUFACTURING COMPANY, *Appellant*,
vs.
THE THORN WIRE HEDGE COMPANY, *Appellee*. } No. 323.

REPLY TO ARGUMENTS FILED APRIL 11 AND APRIL 13.

May it please the Court:

As we stated it would (Argument, p. 26), appellee has argued this case, not upon the contract of the parties, but "upon the theory that the entire barb-wire business was a joint adventure between appellant and appellee."

Upon the threshold counsel use as a specious support for such argument (p. 4) a resolution of appellant's board of directors passed May 13, 1876, two months prior to the day of the execution of the contract between appellant and appellee, and which resolution had been passed before any negotiations had been had between appellant and appellee, and which resolution had never been acted upon.

Stiles testifies: "The resolution of * * * May 13, 1876, was passed prior to negotiating with (appellee) for the sale of the patent." (R., p. 263.)

Nothing was accomplished under that resolution.

Stiles says: "Dodge and Washburn in May or June, 1876, examined the record book containing the certificate of organization and the by-laws of (appellant). They asked to take the records, and took them to the hotel and kept them, my impression is, two or three days at least, but Mr. Dodge or some one told me they had copied them; Mr. Dodge, I think.

"Mr. Dodge drew up some resolutions for us to pass.

"Mr. Dodge did draw up the resolution passed June 5, 1876, and the one passed August 7, 1876, by the stockholders." (R., p. 254.)

Calkins' testimony is to the same effect. (R., pp. 123, 124, 153, 170.)

Their testimony is not controverted.

The resolution of June 5 as drawn by Mr. Dodge is: "*Resolved*, That the president and secretary be authorized by this board to make such disposition of such letters patent as they may think for the best interest of this company, and are empowered to sign all papers relative thereto." (R., p. 219.)

The record of the proceedings of the meeting of the stockholders held August 7, 1876, recites, "After the several papers, contracts, and licenses had been read" the following resolution (drawn by Dodge) was adopted:

"*Resolved*, That the action of the president and secretary in assigning the several letters patent belonging to this company, the Washburn and Moen Manufacturing Company, and in execution of the several contracts and agreements with said company be, and the same are hereby, ratified and approved on behalf of this company." (R., p. 220.)

These resolutions were drawn by appellee's counsel after careful examination of the certificate of organization and

the by-laws of appellant as to the powers of their respective officers, so that there might thereafter be no question relating thereto.

Stiles further testifies Dodge "drafted that resolution (of date June 5), so that when we came down there (to Worcester) we would have full power to treat. Then the subsequent resolution was drafted by him in order to confirm the transfer of the patents." (R., p. 263.)

Appellee's counsel, having read and made for itself a copy of section 8 of appellant's by-laws, knew that under the terms thereof its officers had no power to make or execute any "bond, contract, or other instrument without having been first authorized to do so by the board." (R., p. 218.)

Appellee's counsel further knew that in selling such letters patent the board were substantially disposing of the entire assets of appellant, and, as a careful lawyer should do, he requested that appellee see that action of all the stockholders of appellant approving the acts of its board be had, so that no possible question might in the future arise as to the validity of the contract of July 3, 1876.

Accordingly on August 7, 1876, at such meeting the stockholders, called at the request of appellee, voted in favor of the resolution ratifying the action of the president and secretary in executing "the several contracts and agreements" then read at the meeting of said stockholders. (R., p. 220.)

The resolution of May 13 provided for the disposal of appellant's patents. How they should be disposed of was a matter for future negotiation. *One* of the methods of such proposed disposal was "to sell or dispose of" such letters patent, a *second* method was "to give licenses thereunder," and a *third* proposed method was "to join with other patents in combination." When this resolution of May 13 was passed, on which resolution appellee bases its alleged partnership, appellee had already by its contracts with Putnam (September 25, 1875), Glidden, and Ellwood (May 10, 1876) formed the only combination it ever made, and that was

the absolute purchase of the Glidden and Putnam patents. Nothing was done under the *third* proposed method of disposal under this resolution.

Washburn testifies that at the time appellee made its contracts with Ellwood and Glidden "there was *no serious talk* with reference to purchasing their (appellants') patents." (R., p. 460.)

Appellee could have no idea of a "combination" under those circumstances. What was actually done under this resolution, if anything, as shown in the contract, was "to sell" such patents outright to appellee.

The first paragraph of the contract recites that appellee "actually does by assignments duly executed, of even dates herewith, *sell* * * * the several letters patent specified above." (R., p. 3.)

The assignments themselves are in evidence, and they are absolute and unconditional. (R., pp. 175, 176, 177.)

In spite of the positive testimony of both Washburn and Calkins that every paper relating to the Kelly patents or the payment of royalty thereon is in writing and in evidence (R., pp. 159, 469), appellee's counsel now come before your honors and say "the Thorn Wire Hedge Company and J. F. Glidden were partners" with appellee, and that "the Washburn and Moen Manufacturing Company was the managing partner" (p. 74). When all the testimony, as well as the presumption of law, is that the entire contract between the parties is in writing, by what principle of construction can appellee add to such contract a covenant of partnership with Glidden or with appellee? Had there been any intention to create or constitute a partnership with the appellant corporation, and knowing that the president and secretary of such corporation could not enter into such contract of partnership without the action of its stockholkers first approving the same, would not appellee's counsel have provided in some covenant with appellee or in some agreement

made with it and appellant with Glidden or with Ellwood that there was such a relation of the parties?

Union Mutual Life Insurance Company *vs.* Mowry, 96 U. S., 544.

Says Mr. Justice CLIFFORD in Lowber *vs.* Bangs, 2 Wall., 728: "The provisions of construction *can never extend beyond the language employed* as applied to the subject-matter and the surrounding circumstance contemporaneous in the instrument."

Says Mr. Justice FIELD in Fugh *vs.* Davis, 96 U. S., 332: "The rule which excludes parol testimony to contradict or vary a written instrument has reference to the language used by the parties. That cannot be qualified or varied from its natural import." Does this contract speak a partnership?

See also Brawley *vs.* United States, 96 U. S., 173 (cited, Argument, p. 189).

Appellee did have a written contract of partnership with Ellwood. Appellee did have a written agreement of partnership with Glidden, the nature of which is not disclosed in this record. Appellee had no other written or other contract between it and appellant or with appellant and Glidden, Ellwood, Putnam, Kennedy, or any other person relating to the Kelly letters patent. Appellee admitted during the entire term of the contract that in manufacturing the Glidden wire it was infringing the Kelly patent as a bottom patent. The fact that the Glidden form of wire (which the court below held was identically the Kelly wire) became a more popular form of wire does not detract from the value of the Kelly patent as a bottom patent. Appellee could, if it chose, have licensed the specific form of the Kelly style of wire. Why it did not do so is immaterial.

The form or manner of use which appellee would make of the Kelly patents either by itself or licensees was and is

immaterial, provided appellee in good faith toward appellant complied with the terms of its contract.

As a matter of fact the manner of licensing and the form and terms of appellee's licenses were never made known to appellant until 1881 (R., pp. 92, 135, 240, 255, 262). Appellee's covenant was to supply the demand of barb wire which was to be made under the Kelly patents as a bottom patent and for such wire to pay appellant the agreed rate of royalty.

Appellee's argument rests wholly upon a speculative and theoretical case of what might have been done or what might have been the result had appellant entered into an agreement of partnership with appellee, Glidden, Putnam, Kennedy, or Ellwood. Such argument is not based upon facts in evidence nor is such partnership in issue under the pleadings.

So long as appellee conceives that it could derive some benefit from a supposed partnership relation with appellant, it argues upon the existence of such a relation. When its interests are such that it might be affected by those duties which arise out of the fiduciary relations existing between partners, who are simply agents for each other, it argues against such relation. There is not even an intimation that there was any duty upon appellee toward appellant by reason of such relation under this contract. Appellee ignores any duty toward appellant.

One would almost be led to believe, from reading appellee's argument, that it was induced to enter into the barb-wire business upon representations made by appellant, when, as a matter of fact, appellee had fully consummated its arrangement with Putnam and had contracted to enter into the barb-wire business on September 23, 1875, *ten* months prior to entering into the contract with appellant.

We have discussed the exact relation of the parties at pages 256 to 263 and 292, 293, and 294 of our argument.

We have fully argued most of the points discussed in appellee's argument and shall notice but few of their statements and points made.

Counsel argue upon the theory that the letters patent under which appellee was operating and had issued licenses were not owned by appellee. They say "the legal title to the patents is held by the Washburn and Moen Company and I. L. Ellwood, but they were not the absolute owners" (p. 74.) The assignment of the patents already referred to is absolute and by the express terms conveyed "the entire and exclusive interest" under such patents.

In a case somewhat similar to the one at bar (Rude *vs.* Walcott, 130 U. S., 152) the court held that, the assignment being absolute, the entire title passed, and that all rights between the parties, therefore, were simply rights which a vendor had to the money agreed to be paid under the contract.

Mr. Justice FIELD there says: "The complainants do not hold title to the property as trustees for the benefit of the patentee. They are only owners for him for one-fourth of the profits which may have been received (under the agreement in question). Tilghman *vs.* Proctor, 125 U. S., 143."

The assignment of the patents being absolute, the condition or option reserved in the agreement of returning the patents in case appellee should cease permanently to operate thereunder did not change the nature of the instrument, such condition being a condition subsequent.

The conveyance was to appellee *and its assigns* absolutely. There was nothing to prevent appellee transferring such patents if it chose. At most, the option would be only a condition subsequent, which would be most strongly construed against appellant and which would not and did not affect the legal and equitable title to the patents transferred.

Vol. II, Washburn on Real Estate, p. 7, § 5.
Devlin on Deeds, § 970.

Having held the legal title to and enjoyed the benefits of the Kelly patents under and during the full term of the contract, appellee now attempts to belittle the value of the Kelly patents. Counsel say "it was a precarious piece of property that the complainant sold to defendant. It was bought originally for a song—less than $3,000—and so long as it was held by the complainant it seemed to be worth even less than it cost. Nobody recognized it as valid; nobody paid tribute to it to the extent of a single penny" (p. 19).

The time to have made an objection to the cost of these patents or to their value was when appellee purchased the patents, after appellant had refused to sell them for any fixed sum of money, no matter how large. Is appellee now complaining because it did not make a better bargain? Appellee had carefully reserved to itself the right to return the patents. The ablest patent lawyers in the country, among them Benjamin F. Thurston, *facile princeps*, then thought differently, and advised their purchase by appellee as a matter of necessity for its own protection in its own manufacture. Washburn testifies that the Kelly "patents occupied large space enough on the records *to make them valuable property to us*" (R., p. 463). Was it a precarious piece of property when appellee in September, 1875, obligated itself to pay $150,000 to Putnam, or when on May 10, 1876, appellee paid $60,000 to Glidden and obligated itself to pay *one-fourth of a cent* per pound upon all barb wire during the life of that patent, or $100,000 to Kennedy for royalty under the Hunt and Smith patent, and when appellee, as a business proposition for the purpose of building up a vast business, the realization of which has far surpassed all its anticipations and from which appellee realized millions of dollars? Which amounts of money paid by appellee for patents were paid for patents entirely subsidiary to appellant's. Appellee was advised by its able counsel before it entered into the barb-wire business and before it made a single con-

tract with any of the various owners of the subsidiary patents that no wire having a rigid barb thereon *could be manufactured without infringing the Kelly patents.* These investments made, obligations entered into and business of engaging in the barb-wire trade were *separate, distinct from,* and *independent of* the contract with appellant, as C. F. Washburn testifies (R., pp. 459, 480). Appellee then bought outright the Kelly patents, not only for its own protection, but to avoid litigation following action for infringement. The advice of Thurston was followed and the contracts set out in the bill of complaint were executed. Appellee's action in purchasing the Kelly patents and in entering into the contract with appellant show their actual value and what appellee then thought of them much better than the arguments of counsel now made in this case.

When appellant sold the Kelly patents the barb-wire industry was in its infancy. The only automatic machines in existence were the ten Putnam machines then owned by appellee. The barbs were then generally placed upon wire by hand machinery, a crude and tedious process. Appellant made but four or five car-loads during the first year (R., p. 104). It was then experimenting upon an automatic machine, in the perfection of which more than $25,000 were expended by appellant, the patent for which it also assigned appellee. Appellee recognized the future volume of the business and the value of the patents. There were then but six manufacturers of wire, viz., appellant, appellee, Glidden & Ellwood, Scutt, Haish, and Kennedy. Before appellant had completed its automatic machine and before it embarked in the business to any considerable extent appellee sought appellant and covenanted to pay royalty upon all barb wire made by itself, Glidden & Ellwood, and Kennedy subsequent to the date of the reissue of the Kelly patents, and also *voluntarily* covenanted to sue Haish and Scutt under the Kelly patents. Yet, notwithstanding appellee now seeks to lessen the value of the Kelly patents, it did then deem

them of so vital an importance and of such a great value that it never thereafter availed itself of its reserved option to cancel appellant's contract and return the Kelly patents.

Counsel argue that appellant never requested appellee to return these patents. The option to return was wholly with appellee. Appellant had parted absolutely with its title. Still, in 1878 appellee refused to sell back these "worthless and precarious" pieces of property for $100,000. (R., p. 107.)

It does not now lie in appellant's mouth to belittle these patents, having enjoyed the full benefit during the entire term of the contract without a murmur.

How can their value affect any issue in this case? Is appellee seeking to set aside this contract of purchase on the ground of fraud or misrepresentation? It should have done that before the term of the contract expired.

And so appellee's counsel constantly "ring in the changes" of "partnership" and "worthless patents" throughout their entire argument.

So, too, we may dispose of their arguments as to the cost of litigation.

Appellee voluntarily covenanted to prosecute, at its own expense, the Kelly patents. Had the burden become too great, appellee had in its power to return the patents to appellant, and thus have evaded the expense.

Yet counsel lay up and use in argument against the Kelly patents the entire cost of appellee's entire patent litigation on all wire and machine patents and even the expense of advertising and operating its whole barb-wire inventions.

What has the cost of litigation to do with the issues in this case, anyway?

Appellee does not say the contract was unconscionable. It could not do so. Appellee does not complain that the contract was obtained through fraud. Appellee does not com-

plain that it had not realized all it anticipated. What appellee does complain of is that by its own subsequent acts a part of the contract has become less beneficial or profitable to it.

Says Mr. Justice STRONG in the case of Marble *vs.* Ripley, 10 Wallace, 356, which was a case to specifically enforce a contract, in which species of action courts of equity are always slow in enforcing any contract which is harsh or inequitable in its inception: "It is by no means clear that a court of equity will refuse to decree specific performance of a contract as it was made, but which has become a hard one by the force of subsequent or changing events." When quoting from Fry on Specific Performance, approvingly he says that such contract will be enforced, although "it may, by the force of subsequent circumstances or change of events have become less beneficial to one party."

Counsel say that when the supplemental contract of December 2, 1878, was executed "concessions were made to (appellant) of rights under patents owned by (appellee) to be used in connection with its manufacture of the Kelly wire" (p. 9). No concessions were ever made by appellee to appellant in a single instance during the entire term of its contract without some equivalent consideration paid therefor by appellant. October 10, 1878, appellee wrote that in manufacturing the Kelly wire appellant was infringing the Glidden and Vaughn letters patent owned by appellant, although it had licensed appellant to manufacture the Kelly wire in the precise manner in which it was made. To meet this trumped-up claim of infringement of appellee's patents, appellant abated its royalty from 38½ cents per 100 pounds to 25 cents per 100 pounds—an abatement of one-third of its property rights. See report of committee, January 6, 1879 (R., p. 182, "Exhibit Calkins 14"). This very magnanimous "concession" was granted appellant under the supplemental contract of December 2, 1878, and for this

concession appellant paid appellee, by way of abatement in royalty, during the term of its contract, more than $738,000.

And counsel repeatedly use, as an argument why appellant should not be allowed to recover, the fact that appellant did repeatedly make other concessions to appellee.

Counsel say appellant is bound by the back-damage release because the parties could not be placed *in statu quo* by reason of the license to Stiles and Calkins (p. 42). We have already shown (Argument, p. 120) that the license to Stiles and Calkins as individuals was no part of the consideration money moving to appellant at the time of the alleged release; but, even if such license were a part of such consideration, all appellant sets up in its amended answer is that such license was considered by the party to be of the value of $20,000.

Do counsel say if such were the fact that the parties could not be placed *in statu quo* upon the payment or allowance of the $20,000, the alledged agreed value of such license?

Upon the question of laches counsel cite the case of Badger *vs.* Badger, 2 Wallace, 87 (p. 35).

We have fully discussed the question of laches at pages 142 to 157 and have shown that the case at bar does not come within the principle of laches. On pages 154 to 157 we show specifically why the case at bar does not come within the doctrine of Badger *vs.* Badger.

In none of the cases cited by counsel on page 35 does the question of confidential relation arise.

In Grimes *vs.* Sanders, 93 U. S., 61, Mr. Justice SWAYNE says the complaining party must have exercised at least the degree of diligence "which may fairly be expected from a reasonable person;" but this Court, in Kilbourn *vs.* Sunderland, 130 U. S., 505, says that it was not the duty of a principal to suspect his agent of deceit, concealment, or fraudulent practices.

In Richards *vs.* Mackall, 124 U. S., 187, the Court refused relief on the ground of laches for the same reasons which appear in the cases cited by us in the foot-note at page 146 *et seq.* "Appellee expended large sums" of money, and after the property had largely increased in value he waited twelve years, "with information of every fact now relied upon" by appellee. That case involved a sale, and there were no trust relations, and parties had full information.

In McLain *vs.* Clapp, 141 U. S., 433, Mr. Justice BREWER says that appellant had the right to repudiate (the settlement). It was his duty to do so as soon as advised *of all the circumstances* justifying such repudiation.

Naddo *vs.* Barker, 4 U. S. App., 642, is a case similar to Calliher *vs.* Cadwell, where, after he had full knowledge of facts, the complainant stood by passive and allowed property which subsequently became valuable and passed into the hands of *bona fide* purchasers who made improvements.

In Alsop *vs.* Riker, 155 U. S., 448, this Court again stated laches "varies with the peculiar circumstances of each case," and there enforced the rule because "the record discloses no element of fraud or concealment." Everything was done openly, was known "or might have been known by the exercise of the slightest diligence upon the part of every one interested." Under such circumstances the complainant suffered valuable railroad property to pass into the hands of a new corporation which purchased *bona fide*.

In all these cases the complainant had full information. In the case at bar appellee's president testifies that appellee never furnished appellant with any information as to the amount of the bonus or back damages. (R., p. 473.)

The fraudulent facts and doings of appellee were not discovered until after this suit was instituted and upon the taking of testimony.

The cases cited are not parallel.

Is not the fact that appellee is seeking recovery for matters arising out of the same transaction, under its cross-bill against

appellant, sufficient answer in itself to appellee's defense of laches?

Counsel argue that appellant should have asked appellee for information as to the amount of damages at the time the release was executed (p. 37).

In February, 1881, when appellant asked appellee for information as to the amount collected for bonus and back damages at the time the settlements were made, Washburn promised appellant to send a complete statement of the account of all the moneys collected as soon as he got his papers together upon his return to Worcester. Upon his return to Worcester he wrote that he would send such a statement upon the arrival of Ellwood at Worcester, which was expected to be in April. Up to this time appellee *never questioned the right of appellant to such back damages*, but, on the contrary, appellee promised to remit the same to appellant in the usual course of remitting royalties.

Upon the arrival of Ellwood at Worcester appellee, instead of sending such fact, sent the opinion of its attorney that appellant was not entitled either to *information* as to the amount collected or to share in such amount, and under the advice of counsel conceded the facts and thereafter continuously and deliberately refused to furnish any information.

The truth is, as Washburn testifies, "we did not at any time furnish the Thorn Wire Hedge Company with a statement of the amount of money our company received by way of bonus or back damage from licensees to whom licenses were granted." (R., p. 473.)

All the information appellant got was such as its officers could pick up from licensees *pledged to secrecy* by appellee, as the uncontradicted testimony of Ellwood, Raymond, appellee's counsel, and appellant's witnesses show.

Having made repeated demands upon appellee, both orally and in writing, for information as to the amount of

money so collected, and after having lulled any suspicions as to the conduct of appellee and having induced appellant to withhold pushing further inquiry from such licensees as to such amount by assurances from Washburn that he would furnish a statement of such amounts immediately upon his return to Worcester, and appellee knowing that appellant did not have full information, it now tells the Court that appellant was not misled as to the amount, when the evidence shows that there was due appellant on the day such release was executed three times the largest amount of money that appellant's officers could estimate from the imperfect hearsay evidence acquired by them from the unwilling licensees.

Calkins testifies (appellee having previously sent the opinion of Dodge): "Subsequently, in our meeting here in July, Charles F. Washburn *continuously stated* we were not entitled to any share of the back damages" (R., p. 106). There was much inquiry at that time about the amount of the back damages.

In the last letter written by Washburn to Ellwood prior to his going to Chicago he anticipated trouble with appellant on account of his refusal to furnish appellant with the information as to the amount of such back damages. He wrote: "We shall not be imposed upon for the sake of making them (appellants) rich" (R., p. 402). How imposed upon? By giving appellant the necessary information to understand intelligently the amount of money then its due.

Do counsel say appellee changed its course of secrecy commenced April 25, 1881?

Is not appellee estopped from saying what it would have done when it did, upon being requested, deliberately and continuously to the last refuse to furnish information?

As we have shown, it was appellee's duty to have rendered a full statement of the account of the back-damage money received and to have furnished appellant with full information at the time this alleged release was executed without having been asked to do so. (Argument, p. 95.)

Says Pomeroy, at section 1063, in his work on Equity Jurisprudence: "A trustee is also bound to account for all the trust property. He must not only make a full account at the time of final settlement, but it is one of his most imperative duties to keep regular and accurate accounts during the whole course of the trust of all property coming into possession at all or remaining in his hands."

The rule is stated in Hill on Trustees, at page 581: "Therefore a full statement of all the accounts and other transactions of trustee should unquestionably be furnished *cestui que trust.* and together with all the information requested for explaining and understanding them, and it is particularly desirable that this and all the other material facts should be distinctly stated or referred to in the instrument itself, and this precaution should be more especially observed wherever the relief is intended to apply to any transaction which amounts to a breach of trust."

If there existed a confidential relation of trustee and *cestui que trust.*, or principal and agent, between appellant and appellee, then such settlement is revocable at the option of appellant, even if no fraud or undue advantage had been used.

Wormley *vs.* Wormley, 8 Wheaton, 421;
Stephen *vs.* Beall, 22 Wallace, 329;
Hoyt *vs.* Latham, 143 U. S., 553,
And other authorities cited by us at pages 130 to 142.

It will not do for appellee to argue that appellant might have proven by some one or more witnesses that it did not know the facts. If, as counsel now say, Mr. Trumbull knew the amount collected for back damages, why did not appellee call him for a witness, as it could (Argument, p. 129)? The authorities show that the burden is upon appellee, and it must show beyond cavil that there was no fraud, no concealment, no undue advantage by reason of his situation used; that it furnished appellant with full and complete de-

tailed information of the actual amount of money received; "that the price paid approximated reasonably near to a fair and adequate consideration for the thing released" (Mr. Justice MILLER in Brooks *vs.* Martin), and "that no actual injury to (its) interests be proven" (Mr. Justice BROWN in Hoyt *vs.* Latham). Appellee has not come within the rule.

The only consideration received by appellant in the back-damage settlement, July 27, 1881, was $10,000. Counsel say "this it does not offer to restore, but, taking everything for granted on its own behalf, it offers simply to allow it as a credit on what it claims" (p. 42).

The averment in the amended bill is that the only consideration money for the release paper was the "sum of $10,000, that sum being a part only of all money legally and equitably due your orator from defendant under its agreements with your orator." The bill then recites, "Your orator offers to refund the said $10,000 to defendant." (R., p. 36.)

In the cases of Pope *vs.* Owsley, 27 F. R., 100, and French *vs.* Shoemaker, 14 Wallace, 314 (cited at page 41), no question of agency, trust, or concealment of facts arose.

The cases of Henderson *vs.* Cummings and Barrett *vs.* Brown (cited at page 42) are based upon the principle that the principal, with full knowledge of all facts, remained passive and took no action. In the case of De Wolf *vs.* Hayes, 125 U. S., 614, a settlement made under the advice of counsel was with full knowledge upon the part of the client of all facts. The price paid was reasonable and a fair value of the property, and, what is an important element when applied to laches, the property subsequently and prior to the suit greatly increased in value.

Counsel state that there is no foundation made in the bill for any relief under the modified contract of August 7, 1879 (p. 44).

On page 14 of the Record, following the *verbatim* copies of the contract of July 3, 1876, and various amendments, the bill alleges the performance in full by complainant; "that in many respects defendant has neglected and violated and refused to perform such contracts," and then proceeds specifically as to those things which it had information or belief wherein the defendant did not comply with its contract. Appellee offered the release in evidence as a reason why it should not account under the contract. The facts relating to such release, the fraud, concealment, and misrepresentation under which it was obtained cover the entire period between August 7, 1879, and July 27, 1881.

The supplemental contract of August 7, 1879, was in force from this date, but the time at which appellee under its terms was to have the benefit of such great reduction of royalty—that is, the time when its covenants operated—depended entirely upon the time when appellee would avail itself of the terms and conditions of such contract by performing the conditions precedent to its right of such reduced royalty. We have shown (Argument, pp. 44 to 67) that it did not avail itself of such conditions until January 1, 1881. In all cases "where accounts are all on one side, but a discovery is sought and is material to the relief," the jurisdiction of equity is undoubted (Story's Equity, section 459). Says Mr. Chief Justice MARSHALL in Fowle *vs.* Lawrason, 5 Pet., 503: "In all cases where trustee is a party the jurisdiction of equity is undoubted."

See also Mechem on Agency, § 534.

Appellee does not question the right to an accounting, but only as to the *quantum*.

A general charge or statement of a fact in a bill of complaint is sufficient. The bill need not set forth or charge minutely every particular circumstance, for that is a mere matter of evidence. (Story's Equity Pl., section 28, 252; Daniel's Chancery Practice, 360.)

The bill prays for an accounting under the entire contract,

and to such an accounting under the authorities appellant is entitled. The release and the account being in evidence and appellee having proceeded to take testimony upon such theory after putting in the record such evidence as to this release as he saw proper, it is too late, even if they were correct in their views, now to say that this Court will not consider the same. (Kelsey *vs.* Hobby, 16 Peters, 289.)

Counsel are mistaken when they say that between August 7, 1879, and January, 1881, appellee performed the contract to the satisfaction of appellant (p. 56). We have shown conclusively that by the terms of the contract of August 7, 1879, such contract did not become operative until January 1, 1881 (Argument, p. 44 *et seq.*). It is the terms of the written contract which control the rights of the parties.

The cases cited by counsel on pages 56, 57, 60 to the point that an account rendered, if not objected to in a reasonable time, is presumed to be correct and acquires all the force of an account stated relate to the ordinary business transactions where there are mutual accounts or dealings between the parties, and not to those transactions where there is a special contract governing the transaction between the parties.

In the case of Hagar *vs.* Thompson, 1 Black, 88, the plaintiff agreed to sell his stock in a corporation for such a price as the books of the company should upon an examination show them to be worth. The plaintiff in that case made a full examination of the books for that purpose. Every opportunity was given him to satisfy himself of the value of the stock. He did so and then agreed to sell his stock for what he found the books showed it to be worth. Mr. Justice CLIFFORD says: "All rights of the parties in such a case must be determined by the terms of the agreement under which the purchase and sale was made." Such was not a case to which the presumption of settlement attaching to an open account was applicable.

See also Railroad *vs.* Lindsay, 4 Wallace, 650 (cited by us at page 128).

And this rule was recognized in Kilbourn *vs.* Sunderland, 130 U. S., 519, where Mr. Chief Justice FULLER says, when speaking of statements of account rendered between the various members of the partnership in question: "The rule of acquiescence ordinarily obtaining as between merchants is not applicable here."

The cases cited by counsel may apply to the open merchandise account between the parties for plain wire then settled and about which no controversy has arisen, but they do not apply to the matters arising under the contract set out in the bill.

We have discussed the effect of this release at page 130 of our argument.

Counsel say that they are entitled to go outside of the release of July 27, 1881, and add to that paper an additional covenant. They cite in support thereof Coburn *vs.* Cedar Valley Land Co., 138 U. S., 196.

Mr. Chief Justice FULLER (there approving the case of Kelsey *vs.* Hobby) says that by the previous "written proposition" of settlement "it was to be a full and final adjustment of all the contentions between the parties of all claims of either party against the other." The court thereupon looked into the facts to ascertain if the matters in controversy came within the claims proposed to be settled, the release being silent and not specific as to the claims released.

In the case at bar the release is specific and covers just what was intended to be released.

We have discussed this matter at some length. (Argument, pp. 105–112.)

Stiles and Calkins both repeatedly testified that the only matter in controversy at the time this release was executed was the question of the amount of back damages. In this they are in no way contradicted by anything in the record. The correspondence between the parties is the only contemporaneous written evidence save the opinions of Messrs.

Trumbull and Dodge. These opinions correspond as to the subjects discussed exactly with the release that was executed as to the subject-matter affected.

Counsel quote (p. 63) Stiles as testifying, "I think it was the intention of that agreement to clear up all past matters of difference," but Stiles adds as part of and in the same sentence "*the contract itself shows just what it was.*" (R., p. 247.)

Stiles further says: "I do not recollect any issue being raised at all, but the question of what money had been received; that is the only question, * * * *what money they had received for back damages*" (R., p. 247). "My impression is that the difficulty at the meeting in July or August, 1881, in which we were represented by counsel, Hon. Lyman Trumbull, was *in regard to this back-damage royalty business*, and that was what they laid before our counsel, Mr. Trumbull." (R., p. 246.)

"I do not recollect that there is anything *in controversy but the question of back damages.*" (R., p. 246.)

"We went up there to settle the question of bonuses and back damages; that is all I recollect of our having any discussion about at all *in any shape.*" (R., p. 248.)

"I do not recollect of anything being under discussion between Mr. Washburn and us except the question of the amount of bonuses; *that is all we had any controversy about.*" (R., p. 247.)

Calkins' testimony is to the same effect, and they are not contradicted by any witness.

That the Brinkerhoff barb wire, then made by appellee, was not being reported was then unknown to appellant. Stiles testifies: "It was not brought up then at all. * * * I know there was nothing said about it there at that time." (R., p. 248.)

The fact that appellee collected royalty from the Ohio Steel Barb Fence Company as an infringer instead of as a licensee was then unknown to appellant. The reports

rendered to appellant did not show what rate of royalty had been collected from appellee's licensees prior to 1881. Such rate was then unknown to appellant. These matters therefore could not have been included in such release.

There is one significant fact, even if the release was not specific, which shows that all matters were not then adjusted. Counsel present for the consideration of the Court the fact that the second Kelly patent was held to cover no invention by the court in the Haish case. Dodge in his letter of April 25, 1881, calls attention to the fact that this patent (No. 84062, dated November 17, 1868) had been declared to be of no value (R., p. 509); yet nothing appears in this release paper as to this patent.

When, however, the subsequent modified contract of June 12, 1883, was executed the term of appellant's contract was *shortened* from November 17, 1885, the date of the expiration of the second Kelly patent, to February 12, 1885, the date of the expiration of the first patent.

If it had been the intention to include other matters in such settlement of July 27, would not appellee have inserted covenants so as to include such matters? The release itself shows just what it intended to be and what was covered. The evidence shows that nothing else was included in this settlement but just what is specifically mentioned.

We have so fully discussed appellee's purchase of the Haish patents (Argument, p. 169) that very little more can be said by us.

Appellee in its argument here, as in everything relating to this case, assumes that this purchase was made at the instance of appellant, when, as we have seen (p. 169 *et seq.*), appellant did not know what patents Haish owned, or their value, or the terms of such purchase except from statements and representations then made to it by appellee. Such purchase was determined upon by appellee's board of directors in their counting-room a month before, without ever con-

sulting appellant, and, as Washburn testifies, "regardless of (their) licenses." If appellee's directors alone determined to buy these patents, in what manner was appellant responsible for their purchase?

It appears from the record that appellee wrote to its partner, Ellwood, on July 7, 1881, it would consult Thurston at a meeting of its directors to be held that evening, and that as to the Haish purchase "we are particularly anxious lest it not be legal, *i. e.*, and will have the effect to cancel our present arrangements with our licensees, * * * *but doubt that our course in that respect is legal and clear enough to authorize such a step.*" (R., p. 401.)

Stiles testifies, "I never got at the full details of that settlement with Haish" (R., p. 245). The testimony shows that all the information appellant received or knew of the Haish patents was what information was imparted to it by appellee. Counsel say, "in no respect in which the transaction can be viewed can there be found any element of wrong or circumstance of unfair dealing on the part of appellee towards appellant" (p. 87). Counsel tell us that appellee "thought there was no risk, and so expressed themselves" (p. 89). Their letter to Ellwood shows that they *misrepresented* this fact to appellant. It did *conceal* from appellant the fact that it had such "doubt." Appellee did represent to appellant that it was purchasing the Haish patents the same as it had purchased hundreds of other patents, as it had the right to do. Was there no fraud on appellant when appellee, advised by its eminent counsel that their entire license system might be broken up if this arrangement with Haish be carried out, to deliberately conceal from appellant such anticipated possible result when it desired appellee to execute the paper in evidence? Was appellee not guilty of fraud upon appellant in sending its legal advisers to appellant and urging it to sign such paper and giving as the only reason for such signature that all that it wanted from appellant was simply a release upon Haish's own indi-

vidual manufacture, knowing that appellant relied upon the statements of such counsel that was all that was desired, and that was all that such paper was intended to be, and now turn around and hold appellant liable for appellee's misrepresentations?

Counsel argue that because the licensees did not sign the release to Haish until after it was in fact executed it was not valid or binding on them (p. 92).

We have already discussed this question (Argument, p. 192). The paper signed by such licensees is clear in its terms. When the letter upon the faith of which this contract was executed was written by appellee, the names of certain licensees who had signed were given, and it said: "It was understood that others would sign as soon as they had an opportunity." That was strictly true. The writer also stated that it was desired that the expression of views would be unanimous, but there was no intimation that the arrangement would not be made unless all licensees did give such consent. No deception was practiced on any licensee. The purchase from Haish of his patents was substantially in accordance with the terms contained in the paper. Appellee was "authorized to purchase of Haish all his letters patent and rights to letters patent." They consented that appellee should pay Haish out of the royalties to accrue. That is exactly the contract between Haish and appellee. The license was issued to Haish just as directed. Haish was limited as to the amount of barb wire to be manufactured and the price at which he should sell the same. It was entirely immaterial to the licensees whether Haish's patents had been purchased before or after this paper was signed. If the purchase was a fair one, as appellee represented to appellant, it would be, and in accordance with those representations there would have been, ample consideration as a basis on which to sustain such release, especially as such releases have never been held invalid, and as all the licensees

in May, 1883, again ratified such purchase by executing a new release as to the Haish purchase in consideration of appellee reducing their royalty from 75 cents to 30 cents.

Appellee's president testifies that there were 30,000 annual tons of barb wire out of the 50,000 then licensed which were subject to infringement under claims of the Haish patents, either the Stevens machine patent or the Haish S barb patent. (R., p. 484.)

In the purchase of the Haish patent it was expressly provided that Haish should execute a release from all claims for damages which Haish might have against appellee or its licensees. One of the great considerations held out to licensees by appellee was that, inasmuch as appellee had assumed no liability by reason of any other than the specific patents licensed, Haish might make claim against them, and that such settlement would be made with Haish for the purpose of protecting such licensees.

If such were the fact and such licensees were liable to Haish (and appellee now states that the 30,000 annual tons were liable to such infringement), was not the release of such liability procured by appellee for their benefit a sufficient consideration for such release?

Appellee argues that they committed a fraud upon its licensees, and ask the Court to consider this fact as a reason why it should not be compelled to account to appellant under its contract.

To allow appellee's contention would be to commit a greater fraud on appellant.

The Galvanized Wire Fence case was decided against appellee, as its president, Mr. Moen, wrote, because, it " not having signed any concession " to the Haish purchase, the release signed by appellant was signed after the Haish purchase was made, the same as the release signed by the various licensees. The purchase of the Haish patent was of no more benefit to appellant than to appellee's other licensees. The Haish purchase was made by appellee solely for its own

benefit and the protection of its business after February 12, 1885.

Although appellee's present counsel argued when on the witness stand that such release paper of the licensees was of no value, he failed to give the same reason as here in his unsworn argument.

The licenses issued were for the term ending February 14, 1894, *nine* years after the expiration of appellant's contract. Appellee's argument is significantly silent as to the fact that it was for this period *after the expiration of appellant's contract* that appellee and its licensees were getting the benefit of the Haish patents.

Counsel argue in reference to the Haish settlement upon its cross-bill (pp. 112–114 and p. 5, brief in cross-bill) that the payments of royalty by it to appellant were not made *voluntarily*, but were made pursuant to the eighth section of the supplemental agreement of June 12, 1883, which provides that thereafter the royalties should be paid "without any delay or rebate on account of any claim or demand * * * and independently of any and all questions of dispute or otherwise" between appellant and appellee. This question might possibly arise were it not for one fact counsel have failed to mention—that all the royalty sought to be recovered by the cross-bill *had been collected and paid over to appellant* (excepting $123 paid by the Ohio Steel Barb Fence Co.) for royalty which accrued prior to the supplemental contract of June 12, 1883. (Argument, p. 220).

Counsel argue as we said they would because Calkins stated, when testifying, that the royalty to Haish was held in abeyance, therefore appellant was guilty of bad faith, and cited numerous cases (p. 115).

Appellee repeatedly wrote to appellant that as soon as suits for injunction which had been brought against it by

reason of the Haish settlement were disposed of it would remit the royalties, and the reason for holding the matters of certain royalties not collected in abeyance was, as stated by Calkins, "there were several matters that were left in abeyance, as there were many suits in progress and many accounts unsettled."

As early, at least, as May 24, 1884, appellee wrote and said it would remit appellant its proportion of the moneys involved in suit as fast as collected (R., p. 547). After the expiration of the contract the letters relating to such royalty were numerous. (See list of letters, Argument, p. 244.)

As late as November 22, 1886, but four months before the commencement of this suit, appellee wrote that it was paying appellant "from time to time such moneys as are due you and shall continue." (R., p. 549.)

Appellant withheld pushing these claims at the request of appellee. Is not appellee estopped from raising any question in appellant not sooner pushing it for such royalties?

None of the citations are in point. The cases cited relate either to a state of facts where a party consented to a thing being done and then afterward sought to derive some benefit to which he would have been entitled had he not consented, or where a person stood by passive and permitted another party to act and then, deriving no benefit, disaffirmed his own act. This is not the case at bar. At page 224 we have shown that appellant did all that was possible to do when on February 5, 1884, and March 7, 1884, it expressly directed and instructed appellee not to make any compromise settlement with any licensee without first collecting the full amounts from such licensee. Having thus at a time before a single settlement had been made and repeatedly thereafter notified appellee not to make any such settlement, appellee was not and could not be misled.

On page 116 appellant cites numerous cases in support of the doctrine where in "cases of partnership," one of the

partners acts within the scope of his authority, with the knowledge and assent of his copartners, the loss falls not upon the individual, but upon the partnership. We have shown (Argument, p. 172) that appellee was acting in the purchase of the Haish patents, not as agent of appellant or on its behalf, but solely to protect itself (appellee) from loss and damage and further to control its business after appellant's contract should have expired.

Appellee was not acting as the agent of appellant in the purchase of the Haish patents any more than it did in the purchase of the 250 other barb-wire patents, as to the purchase of none of which did it ever consult appellant, but all of which were purchased solely at its own instance and for its own benefit to build up and foster its future business.

The Haish patent was of no more moment or importance to appellant than the Glidden, Kennedy, Scott, or the hundreds of other patents owned by appellee and subsidiary to the Kelly patent.

As to the Brinkerhoff barb wire, counsel say: "One of the reasons urged was that it was a grave question whether they (the Brinkerhoff patents) infringed on any of the patents owned by the Washburn & Moen Company. Several letters of this tenor were written by the defendants to Thorn Wire Hedge Company" (p. 129). We have shown in our argument on this point that no letters were ever written to appellant at all. There was no difference under the contract between the Brinkerhoff and any other barb wire. The only time any question was raised at all as to its infringing the Kelly patents was in a letter by appellee to its counsel, Mr. Coburn, which letter was not shown to appellant until taking testimony in the case.

Counsel say (R., p. 135) that the Brinkerhoff wire was not included in the contract of June 12, 1883. This contract recites that appellant will pay to appellee the "sum of 5

cents on each and every 100 pounds of barb wire which it shall sell from and including June 1, 1883, to and including February 11, 1885, and receive pay for." (R., p. 12.)

This is broad enough to include the Brinkerhoff and every other form of barb wire made or licensed by appellee, without any exception whatever.

If the Brinkerhoff had not been included there should and would have been some exception made to cover this specific wire.

With the full knowledge of the powers of appellant's officers acquired before the commencement of business relations between appellee and appellant, by appellee having examined and made for itself a copy of appellant's by-laws, many questions which would arise between appellee and appellant as to the action of Messrs. Stiles & Calkins, if appellee had not had such notice, are removed from this record, as we have shown in our former argument at pages 254–258.

Next to the alleged "partnership" and "worthless patents," appellee seeks to build up an estoppel against appellant as against appellee's covenants under the terms of its contract.

We would not contend for a moment that a corporation would not in a proper case be bound by an estoppel. The case at bar, however, is not such a case.

The acts upon which appellee seeks to base such estoppel are those of Stiles and of Calkins.

This is not a case where it was the usual course of officers to transact the business. The contract, as to its patent properties and the proceeds thereof, was made under authority of resolutions passed by its directors (July 3, 1876, December 2, 1878, August 7, 1879, July 27, 1881, and June 12, 1883) under its by-laws. Washburn says it was the intention to and they did incorporate every contract between the parties in such writings.

There was, therefore, no usage or custom from which appellee could infer any power on the part of these officers to act, even if appellee had not had full and complete notice of their powers. The presumption of power of an agent when dealing with a third party ceases when such third party has actual notice of the agent's power. Because these two persons controlled a majority of the stock or were stockholders, their individual acts or admissions did not bind the corporation or other stockholders (Cook on Stockholders, § 726). Their power to act for appellant was wholly as derived from the board of directors under its by-laws. (Morowetz on Corporations, § 511.)

It is not necessary in this case to argue what would have been the effect, if any, of Stiles' or Calkins' doings if they had been dealing with third parties who had no notice of their powers. Stiles repeatedly states in his correspondence with appellee what he would do were he alone interested, and it is from such individual expressions appellee seeks to overcome the covenants of the contract entered into by appellant's officers only after the deliberate action of its board of directors.

Moreover, even if an estoppel could be built upon such verbal or written expressions, before they can avail appellee the latter must have done some act or abstained from doing some act by reason of such statements.

This is elementary (Bigelow on Estoppel (5th ed.), pp. 570 and 638. See also Argument, pp. 199, 202). What is the record on this point? Appellee put two of its officers on the witness stand, viz., Messrs. Charles F. Washburn and Charles G. Washburn. The latter was the secretary and is now one of the counsel in this case. While he ingeniously injects his specious arguments and opinions in his testimony as evidence in this case whenever opportunity occurs, he does not point to a single act done or left undone by appellee by reason of any act or statement of Stiles, Calkins, or any officer of appellant. The former (Charles F. Washburn) was

the vice-president of appellee and the person who had the management of the entire barb-wire industry of appellee. He was repeatedly asked on cross-examination what contract did appellee make, what obligation did it assume, what act did it abstain from doing which it otherwise would have done, or in what manner did it change its course of business by reason of any act done or declaration made by Stiles or Calkins (R., pp. 466, 472, 473, 474). He was unable to point out a single instance.

We can say with absolute verity that appellee has not acted upon, omitted to do any act, entered into any obligation, or changed its course of business in any manner whatever by reason of any letter, act, statement, or silence of either Stiles or Calkins.

There is an utter absence from the record of either verbal or written evidence of any such action on the part of appellee. Does not this fact effectually dispose of the estoppel sought to be built up by appellee against appellant by reason of the acts of its officers?

We have so fully discussed the various phases of this case in our original argument that to continue further would simply be to reargue the case.

We respectfully submit that appellee has not shown any reason why appellant should not recover, or that the decree rendered in the original bill below should not be reversed or why the decree rendered in the cross-suit should be affirmed.

Respectfully submitted.

GEO. C. FRY,
Counsel for Appellant.